

GOVAN MBEKI

LOCAL MUNICIPALITY



2006/2007

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

INDEX

NO	CONTENTS	PAGE
1	General Information	1
2	Members of the Council	2
3	Foreword	4
4	Audit Report	5
5	Report of the Chief Financial Officer	6
6	Statement of Financial Position	15
7	Statement of Financial Performance	16
8	Statement of Changes in Net Assets	17
9	Cash Flow Statement	18
10	Accounting Policies	19
11	Notes to the Annual Financial Statements	40
12	Disclosure Notes in terms of the Municipal Finance Management Act	72
	<u>Appendixes:</u>	
13	A Schedule of External Loans	87
14	B Analysis of Property, Plant and Equipment	88
15	C Segmental Analysis of Property, Plant and Equipment	92
16	D Segmental Statement of Financial Performance	93
17	E (1) Actual versus Budget (Revenue and Expenditure)	94
18	E (2) Actual versus Budget (Acquisition of Property, Plant and Equipment)	95
19	F Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	96

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

GENERAL INFORMATION

ACTING EXECUTIVE MAYOR

O Mtsweni

SPEAKER

J. Jiyane

MEMBERS OF THE COMMITTEE OF THE MAYOR

Executive Mayor

Speaker (Ex officio)

Councillors: S.C. Vilakazi
N.E. Nkosi

L.L. Masina
A.B. Madonsela
F.B. Nkambule

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External – Auditor General

Internal – KPMG

PRIMARY BANKER

ABSA Bank Limited

REGISTERED OFFICE

Civic Centre
Lurgi Square
Central Business Area
SECUNDA

Private Bag X1017
SECUNDA
South Africa
2302

Telephone: (017) 620-6000

Facsimile: (017) 634-8019

E-Mail: gbrecords@govanmbeki.gov.za

MUNICIPAL MANAGER

Dr LH Mathunyane

CHIEF FINANCIAL OFFICER

N Ndlovu (as from 01 April 2007)

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

MEMBERS OF THE COUNCIL

WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
1	E.N. Khanye	ANC	C.J.H. Breedt	FF
2	M.P. Mabhena	ANC	G.M. Chabalala	DA
3	T.P. Mtsweni	ANC	T.M. Denny	DA
4	E. Mtsweni	ANC	S.J. Dhladhla	DA
5	M.A. Taylor	DA	D.M. Dlamini	ANC
6	F.P. Nkambule	ANC	N.J. Gwebu	ANC
7	C.V. Gwiji	ANC	Z.A. Hlatshwayo	PAC
8	T.M. Buthelezi	ANC	M.B. Jean-Pierre	ACDP
9	B.D. Mahlangu	ANC	J. Jiyane	ANC
10	T.J. Tsotetsi	ANC	A.B. Madonsela	ANC
11	A.D. Motaung	ANC	M.F. Mahlangu	ANC
12	M.S. Jeje	ANC	S.S. Mahlangu	DA
13	Y.T. Ngxonono	ANC	M.Z. Malinga	ANC
14	B.S. Zulu	ANC	T.S.N. Maseko	HRCP
15	M.P. Mkoko	ANC	J. Masilela	ANC
16	S.C. Vilakazi	ANC	L.L. Masina	ANC
17	T.A. Moekoa	ANC	S.S. Masina	ANC
18	J.W. Harris	DA	Z.G. Mkhwanazi	ANC
19	T.A. Mtsweni	ANC	Z.A. Mkhwebane	DA
20	T. Dyusha	ANC	T.L. Mlotshwa	DA
21	H.J. Badenhorst	DA	O. Mtsweni	ANC
22	J.P. Simelane	ANC	H.G. Nicholas	ANC
23	B.J. Ndinisa	ANC	M.A. Nkabinde	ANC
24	P.P. Nkosi	ANC	E.N. Nkosi	ANC
25	N.S. Victor	DA	P.M. Nkosi	ANC
26	N.G. Khumalo	ANC	S.S. Nkosi	ANC
27	E.M. Madonsela	ANC	R.J. Pretorius	ID
28	J.A. van Baalen	DA	D.J. Roalane	IFP
29	J. Nhlapho	ANC	D.J. van Tonder	FF
30	P.J. Labuschagne	DA	P.W. van Zyl	ANC
31	M.J. Nkosi	ANC		

APPROVAL OF FINANCIAL STATEMENTS:

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 15 to 96, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2007.

DR LH MATHUNYANE
MUNICIPAL MANAGER
31 August 2007

N NDLOVU
CHIEF FINANCIAL OFFICER
31 August 2007

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

FOREWORD

During the 2006/2007 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation. The municipality was however able to meet the challenges set by a changing legislative environment.

The municipality had to face challenges on the administrative side, as the Municipal Manager was only appointed in October 2006, while other Sec 57 employees of Council were appointed as from January 2007.

The municipality has also as part of improving service delivery to the community implemented proper communication channels through the ward committee systems, as well as creating helpdesks at all the offices in the municipal area. This will be further enhanced during the 2008 financial year.

Although capital projects were limited to those financed from external grant funding the municipality has successfully finalised the projects identified in the Integrated Development plan. The municipality will in the 2008 financial year again embark upon projects identified in the IDP.

Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were forgotten previously.

I hereby wish to thank the Members of the Mayoral Committee and executive staff for their commitment during the year, in ensuring that we meet the targets set in the Integrated Development Plan and the 2006/2007 budget.

I thank you.

CLR O MTSWENI
ACTING EXECUTIVE MAYOR
31 August 2007

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

AUDIT REPORT

The 2006/2007 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure “A” when received after the completion of the statutory audit.

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

During the 2006/2007 Financial year, the council instituted various control measures in order to improve the overall financial results of the municipality.

The areas covered during the year under review included the development of policies, addressing issues raised during the previous audit report and improved debt collection strategies.

The impact of these can be seen in the financial results of the municipality.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review, with comparative figures of the previous financial year.

The main reason for the huge deficit in this financial year, is mainly due to the implementation of GAMAP/GRAP standards on Non-current Provisions.

Financial Statement Ratios:

INDICATOR	2007	2006
Surplus / (Deficit) before Appropriations	(67,238,259)	(8,582,611)
Surplus / (Deficit) at the end of the Year	402,046,772	504,853,096
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	31.68%	28.36%
Remuneration of Councillors	1.50%	1.20%
Bad Debts	8.53%	12.07%
Collection Costs	1.35%	1.36%
Depreciation	10.06%	11.45%
Repairs and Maintenance	3.13%	3.90%
Interest Paid	1.88%	2.28%
Bulk Purchases	18.86%	21.95%
Contracted Services	2.30%	2.60%
Grants and Subsidies Paid	11.51%	4.98%
General Expenses	9.18%	9.87%

Financial Statement Ratios (Continued):

INDICATOR	2007	2006
Current Ratio:		
Creditors Days	37	54
Debtors Days	38	32

The good ratio for Debtors Days is because of bad debts in the amount of R64 556 302 million written-off during the year under review, which renders a favourable ratio for the year. Creditors ratio improved with 17 days due to improved cash-flow measures in place.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2007 are as follows:

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	504,853,096	578,406,838	(12.72)%	-	-
Operating income for the year	648,822,781	559,350,360	16.00%	539,917,100	20.17%
Appropriations for the year	(31,811,877)	(58,379,089)	(45.51)%	-	-
	1,121,864,001	1,079,378,109	3.94%	539,917,100	107.78%
Expenditure:					
Operating expenditure for the year	716,061,040	567,932,971	26.08%	539,921,030	32.62%
Sundry transfers	3,756,189	6,592,041	(43.02)%	-	-
Closing surplus / (deficit)	402,046,772	504,853,096	(20.36)%	(3,930)	-
	1,121,864,001	1,079,378,109	3.94%	539,917,100	107.78%

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	276,042,150	233,769,335	18.08%	232,792,900	18.58%
Expenditure	320,842,563	261,754,479	22.57%	243,403,430	31.82%
Surplus / (Deficit)	(44,800,413)	(27,985,144)	60.09%	(10,610,530)	-
Surplus / (Deficit) as % of total income	(16.23)%	(11.97)%		(4.56)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	12,385,837	2,409,692	414.00%	594,000	1985.16%
Expenditure	14,837,271	10,319,254	43.78%	4,531,300	227.44%
Surplus / (Deficit)	(2,451,433)	(7,909,563)	(69.01)%	(3,937,300)	-
Surplus / (Deficit) as % of total income	(19.79)%	(328.24)%		(662.85)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	65,763,835	89,112,019	(26.20)%	66,256,500	(0.74)%
Expenditure	87,879,964	60,798,531	44.54%	63,553,000	38.28%
Surplus / (Deficit)	(22,116,129)	28,313,489	(178.11)%	2,703,500	-
Surplus / (Deficit) as % of total income	(33.63)%	31.77%		4.08%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R81 260 253 (2005/2006: R73,196,059). Tariffs levied for electricity are subject to administered adjustments.

The REDS (Regional Electricity Distribution Suppliers) will be introduced in the near future, where electricity will be distributed by a regional supplier. This will impact materially on the Annual Financial Statements of the municipality.

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	146,644,146	138,661,544	5.76%	151,142,000	(2.98)%
Expenditure	169,823,490	150,307,606	12.98%	143,260,400	18.54%
Surplus / (Deficit)	(23,179,344)	(11,646,062)	99.03%	7,881,600	-
Surplus / (Deficit) as % of total income	(15.81)%	(8.40)%		5.21%	

3.5 Water Services:

Water is bought in bulk from Rand Water and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R53 799 383 (2005/2006: R51 457 824). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	147,986,812	95,397,771	55.13%	89,131,700	66.03%
Expenditure	122,677,752	84,753,102	44.75%	85,172,900	44.03%
Surplus / (Deficit)	25,309,060	10,644,669	137.76%	3,958,800	-
Surplus / (Deficit) as % of total income	17.10%	11.16%		4.44%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R70 706 139 (2005/2006: R95 293 106). Full details of Property, Plant and Equipment are disclosed in note number 8 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R 70,706,139 was financed as follows:

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Capital Replacement Reserve	9,141,468	9,954,384	(8.17)%	10,223,700	-
External Loans	-	10,000,000	(100.00)%	-	-
Grants and Subsidies	61,474,473	75,338,722	(18.40)%	61,357,000	0.19%
Public Contributions	90,198	-	#DIV/0!	-	-
Own Funds (Accumulated Surplus)	-	-	#DIV/0!	-	-
	70,706,139	95,293,106	(25.80)%	71,580,700	(1.22)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2007	2006
Capital Replacement Reserve	12.93%	10.45%
External Loans	-	10.49%
Grants and Subsidies	86.94%	79.06%
Public Contributions	0.13%	-
Own Funds (Accumulated Surplus)	-	-

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2007	2006
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(3,930)	756,364
Revenue variances	108,905,681	56,380,712
Expenditure variances:		
Employee Related Costs	(45,644,488)	3,333,294
Remuneration of Councillors	(1,033,472)	2,655,488
Bad Debts	(1,048,254)	(34,559,320)
Collection Costs	(2,508,960)	(2,699,843)
Depreciation	(71,474,414)	(55,493,489)
Repairs and Maintenance	8,268,168	12,240,892
Interest Paid	8,881,259	6,669,278
Bulk Purchases	(3,476,936)	(2,985,536)
Contracted Services	(1,620,519)	1,564,795
Grants and Subsidies Paid	(55,392,564)	4,569,408
General Expenses	(11,033,925)	(1,014,655)
Loss on disposal of Property, Plant and Equipment	(55,907)	-
Actual surplus before appropriations	(67,238,259)	(8,582,611)

DETAILS	2007	2006
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(3,930)	756,364
Executive and Council	(54,111,288)	(1,400,720)
Finance and Administration	17,456,629	(27,875,721)
Planning and Development	(3,329,973)	(4,375,845)
Health	(1,577,215)	(1,799,656)
Community and Social Services	(1,444,542)	137,414
Housing	1,485,867	(3,548,069)
Public Safety	(8,600,911)	(1,738,710)
Sport and Recreation	(2,288,756)	1,453,045
Environmental Protection	-	-
Waste Management	(24,819,629)	23,175,739
Roads and Transport	19,706,174	20,887,829
Water	21,350,260	5,836,792
Electricity	(31,060,944)	(20,091,073)
Other	-	-
Actual surplus before appropriations	(67,238,259)	(8,582,611)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2006/2007 R	Actual 2005/2006 R	Variance actual 2007 / 2006 R	Budgeted 2006/2007 R	Variance actual/ budgeted R
Executive and Council	534,117	106,980	427,137	86,700	447,417
Finance and Administration	963,457	3,480,493	(2,517,036)	1,637,000	(673,543)
Planning and Development	710,011	101,216	608,795	5,194,200	(4,484,189)
Health	42,534	68,673	(26,139)	-	42,534
Community and Social Services	47,501	2,018,976	(1,971,475)	100,000	(52,499)
Housing	468	915,094	(914,626)	8,000,000	(7,999,532)
Public Safety	794,591	8,034,798	(7,240,207)	757,105	37,486
Sport and Recreation	346,036	-	346,036	350,000	(3,964)
Environmental Protection	-	-	-	-	-
Waste Management	35,233,923	32,833,614	2,400,309	24,979,408	10,254,515
Roads and Transport	7,330,597	18,124,018	(10,793,421)	8,975,517	(1,644,920)
Water	15,567,971	16,721,754	(1,153,783)	12,403,565	3,164,406
Electricity	6,372,543	12,887,491	(6,514,948)	9,097,205	(2,724,662)
Other	3,596,189	3,596,189	(0)	-	3,596,189
	71,539,938	98,889,296	(27,349,358)	71,580,700	(40,762)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. CAPITAL REPLACEMENT RESERVE

The balance of the Capital Replacement Reserve as at 30 June 2007 amounted to R155 124 (30 June 2006: R5 964 806).

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality is dependent on external funds (external loans and grants) to finance its annual capital programme.

Refer to the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2007 was R86 184 585 (30 June 2006: R86 846 397).

No new loans were taken up during this financial year.

Refer to Note number 1 and Appendix "A" for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R 64 095 073 as at 30 June 2007 (30 June 2006: R14 500 000) and is made up as follows:

Provision for Cleaning of Illegal Dumping	-
Provision for Clearing of Alien Vegetation	-
Provision for Long-term Service	9,074,516
Provision for Post-retirement Benefits	38,020,557
Provision for Rehabilitation of Land-fill Sites	17,000,000
	<u>64,095,073</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note number 2 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R108 867 483 as at 30 June 2007 (30 June 2006: R123 384 934) and is made up as follows:

Consumer Deposits	Note number 3	9,240,860
Provisions	Note number 4	3,167,466
Creditors	Note number 5	72,150,261
Unspent Conditional Grants and Receipts	Note number 6	6,265,997
VAT	Note number 7	4,668,537
Bank Overdraft	Note number 15	12,484,318
Current Portion of Long-term Liabilities	Note number 1	908,265
		<u>108,885,703</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R814 040 487 as at 30 June 2007 (30 June 2006: R 818 783 340).

An Asset verification of all council assets was done during the financial year.

Refer to Note number 8 and Appendices "B, C and E (2)" for more detail.

11. INVESTMENTS

The municipality held Investments to the value of R 65 042 864 as at 30 June 2007 (30 June 2006: R 60 056 619).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note number 9 for more detail.

12. LONG-TERM RECEIVABLES

Long-term Receivables of R 48 144 767 at 30 June 2007 (30 June 2006: R 72 887 397) is made up as follows:

Officials: Study Loans	808,569
Township Development	239,688
Sale of Erven	-
Capitalised Arrear Services	<u>56,697,009</u>
	57,745,267
Less: Short-term portion included in Current Assets	<u>9,600,500</u>
	<u>48,144,767</u>

The substantial decrease in Long-term Receivables is attributed to the write-off of long outstanding amounts to the Provision for Doubtful Debts.

Refer to Note number 10 for more detail.

13. CURRENT ASSETS

Current Assets amounted R 58 684 948 as at 30 June 2007 (30 June 2006: R 73 627 913) and is made up as follows:

Inventory	Note number 11	2,796,959
Consumer Debtors	Note number 12	42,035,348
Other Debtors	Note number 13	2,015,444
Current Portion of Long-term Debtors	Note number 10	9,600,500
Call Investment Deposits	Note number 14	2,236,697
Bank Balances and Cash	Note number 15	<u>18,220</u>
		<u>58,703,168</u>

The decrease is mainly to amounts written of and Call Investment released during the financial year.

Refer to the indicated Note numbers for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance.

Refer to Notes number 6 and 18, and Appendix "F" for more detail.

15. POST BALANCE SHEET EVENTS

There are no significant events known to council

16. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directives of National Treasury, the Annual Financial Statements have been converted to the GRAP-format.

17. EXPRESION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2007

GOVAN MBEKI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net Assets		729,629,489	800,623,938
Capital Replacement Reserve		155,124	5,964,806
Capitalisation Reserve		4,514,955	6,679,450
Government Grant Reserve		322,833,872	283,126,585
Donations and Public Contribution Reserves		78,767	-
Accumulated Surplus / (Deficit)		402,046,772	504,853,096
Non-Current Liabilities		150,279,658	101,346,397
Long-term Liabilities	1	86,184,585	86,846,397
Non-current Provisions	2	64,095,073	14,500,000
Current Liabilities		108,885,703	123,384,934
Consumer Deposits	3	9,240,860	7,474,481
Provisions	4	3,167,466	557,623
Creditors	5	72,150,261	83,484,979
Unspent Conditional Grants and Receipts	6	6,265,997	8,944,075
VAT	7	4,668,537	11,797,889
Bank Overdraft	15	12,484,318	10,022,728
Current Portion of Long-term Liabilities	1	908,265	1,103,160
Total Net Assets and Liabilities		988,794,850	1,025,355,269
ASSETS			
Non-Current Assets		930,091,683	951,727,356
Property, Plant and Equipment	8	814,040,487	818,783,340
Intangible Assets	9	2,863,565	-
Investments	9	65,042,864	60,056,619
Long-term Receivables	10	48,144,767	72,887,397
Current Assets		58,703,168	73,627,913
Inventory	11	2,796,959	15,325,278
Consumer Debtors	12	42,035,348	31,752,158
Other Debtors	13	2,015,444	6,881,379
Current Portion of Long-term Receivables	10	9,600,500	6,427,229
Short-term Investment Deposits	14	2,236,697	13,223,542
Bank Balances and Cash	15	18,220	18,327
Total Assets		988,794,850	1,025,355,269

GOVAN MBEKI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

Budget			Actual		
2006 R	2007 R		Note	2007 R	2006 R
REVENUE					
101,727,117	109,959,700	Property Rates	16	110,119,339	98,467,308
277,632,860	302,386,000	Service Charges	17	298,640,689	267,822,969
3,025,611	3,279,500	Rental of Facilities and Equipment		3,877,750	3,498,794
15,573,203	5,897,600	Interest Earned - External Investments		5,681,466	8,425,330
20,366,967	20,026,300	Interest Earned - Outstanding Debtors		29,024,167	25,238,711
-	-	Dividends Received		23,386	7,908
4,293,689	4,493,700	Fines		3,565,301	5,413,650
8,076,772	7,974,700	Licences and Permits		4,676,741	8,383,020
61,820,608	74,703,700	Government Grants and Subsidies	18	174,655,873	133,702,165
8,452,821	9,085,900	Other Income	19	11,110,381	8,148,185
-	-	Public Contributions and Donations		90,360	135,233
2,000,000	2,110,000	Gains on Disposal of Property, Plant and Equipment		7,357,328	107,088
502,969,648	539,917,100	Total Revenue		648,822,781	559,350,360
EXPENDITURE					
164,384,388	181,239,420	Employee Related Costs	20	226,883,908	161,051,094
9,450,820	9,709,600	Remuneration of Councillors	21	10,743,072	6,795,332
34,000,000	60,010,000	Bad Debts		61,058,254	68,559,320
5,016,076	7,179,690	Collection Costs		9,688,650	7,715,919
9,522,563	589,100	Depreciation		72,063,514	65,016,052
34,363,312	30,686,430	Repairs and Maintenance		22,418,262	22,122,420
19,635,440	22,325,650	Interest Paid	22	13,444,391	12,966,162
121,668,347	131,582,700	Bulk Purchases	23	135,059,636	124,653,883
16,306,672	14,835,900	Contracted Services		16,456,419	14,741,877
32,827,298	27,036,200	Grants and Subsidies Paid	24	82,428,764	28,257,890
55,038,368	54,726,340	General Expenses		65,760,265	56,053,023
-	-	Loss on disposal of Property, Plant and Equipment		55,907	-
502,213,284	539,921,030	Total Expenditure		716,061,040	567,932,971
756,364	(3,930)	SURPLUS / (DEFICIT) FOR THE YEAR		(67,238,259)	(8,582,611)
Refer to Appendix E(1) for explanation of budget variances					

Refer to Appendix E(1) for explanation of budget variances

GOVAN MBEKI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

Description	Pre-GAMAP Reserves and Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contr Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
2006										
Balance at 30 June 2005		-	3,919,190	8,843,946	224,628,617	-	-	-	578,406,838	815,798,590
Change in Accounting Policy (Note 27)									-	-
Correction of Error (Note 28)									(6,592,041)	(6,592,041)
Restated Balance	-	-	3,919,190	8,843,946	224,628,617	-	-	-	571,814,797	809,206,549
Surplus / (Deficit) for the year									(8,582,611)	(8,582,611)
Transfer to Housing Development Fund		-							-	-
Funds utilised to finance PPE		-							-	-
Transfer to CRR			12,000,000						(12,000,000)	-
Property, Plant and Equipment purchased			(9,954,384)	-					9,954,384	-
Contributions / Grants used to purchase PPE					75,338,722				(75,338,722)	-
Donated / Contributed PPE						-			-	-
Contribution to Insurance Reserve							-		-	-
Insurance claims processed							-		-	-
Interest received		-	-				-		-	-
Asset disposals				-		-			-	-
Offsetting of Depreciation				(2,164,495)	(16,840,754)	-			19,005,249	-
Balance at 30 June 2006	-	-	5,964,806	6,679,450	283,126,585	-	-	-	504,853,096	800,623,938
2007										
Change in Accounting Policy (Note 27)									-	-
Correction of Error (Note 28)									(3,756,189)	(3,756,189)
Restated Balance	-	-	5,964,806	6,679,450	283,126,585	-	-	-	501,096,907	796,867,749
Surplus / (Deficit) for the year									(67,238,259)	(67,238,259)
Transfer to Housing Development Fund		-							-	-
Funds utilised to finance PPE		-							-	-
Transfer to CRR			3,000,000						(3,000,000)	-
Property, Plant and Equipment purchased			(8,809,682)						8,809,682	-
Contributions / Grants used to purchase PPE					61,474,473				(61,474,473)	-
Donated / Contributed PPE						90,198			(90,198)	-
Contribution to Insurance Reserve							-		-	-
Insurance claims processed							-		-	-
Interest received		-	-				-		-	-
Asset disposals				-	(428)	-			428	-
Offsetting of Depreciation				(2,164,495)	(21,766,758)	(11,431)			23,942,685	-
Balance at 30 June 2007	-	-	155,124	4,514,955	322,833,872	78,767	-	-	402,046,772	729,629,489

GOVAN MBEKI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		643,412,813	582,772,570
Cash paid to suppliers and employees		(603,787,705)	(442,015,669)
Cash generated from / (utilised in) operations	28	39,625,108	140,756,901
Dividends received		23,386	7,908
Interest received		5,681,466	8,425,330
Interest paid		(13,444,391)	(12,966,162)
NET CASH FROM OPERATING ACTIVITIES		31,885,569	136,223,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(2,762,389)	-
Purchase of property, plant and equipment		(67,943,749)	(95,293,106)
Proceeds on disposal of property, plant and equipment		7,879,241	118,862
(Increase) / decrease in non-current receivables		21,569,359	(36,013,856)
(Increase) / decrease in non-current investments		(4,986,244)	(4,954,527)
(Increase) / decrease in current investments		10,986,845	4,591,082
NET CASH FROM INVESTING ACTIVITIES		(35,256,938)	(131,551,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		(856,707)	10,183,143
Increase / (decrease) in consumer deposits		1,766,379	231,960
NET CASH FROM FINANCING ACTIVITIES		909,672	10,415,103
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29	(2,461,697)	15,087,534
Cash and cash equivalents at the beginning of the year		(10,004,401)	(25,091,935)
Cash and cash equivalents at the end of the year		(12,466,098)	(10,004,401)

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- ◆ General Notice 991 of 2005, issued in Government Gazette no 28095 of 15 December 2005; and
- ◆ General Notice 992 of 2005, issued in Government Gazette no 28095 of 7 December 2005.

The Standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GAMAP 4	Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting Policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting Policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GAMAP 12	Inventories	§ The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
IAS 17 (AC 105)	Leases	§ Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	§ Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 38 (AC 129)	Intangible assets	§ The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	§ Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

2. PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

5. RESERVES (continued)

by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

5. RESERVES (continued)

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Fixed Assets

Property, plant and equipment, is stated at cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Fixed Assets (continued)

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. Examples of subsequent expenditure which should be capitalised are the enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold will be determined annually during the budget process.

All assets of the Municipality are verified annually in terms of Council's Asset Management Policy to:-

- ◆ Physically identify all assets.
- ◆ Determine assets to be written-off.
- ◆ Determine obsolete assets.
- ◆ Determine changes in the estimated useful lives of assets.
- ◆ Determine impairment losses on assets.

6.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
		Bins and Containers	5
Community		Specialised Plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other Plant and	
Security	5	Equipment	2-5

The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of General Notice 552 of 2007.

6.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

6.2.2 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

6.2.3 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

6.3 Disposal of property, plant and equipment

- ◆ The book values of assets are written off on disposal.
- ◆ The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The municipality should assess at **each reporting date** whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred. However, for the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General Notice 552 of 2007.

6.5 Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions – see Accounting Policy 13 on Provisions.

7. INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example Servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. Therefore servitudes are not amortised or impaired.

Intangible assets are annually tested for impairment.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

7. INTANGIBLE ASSETS (continued)

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

8. INVESTMENT PROPERTY

Land and/or buildings that meet the “*Investment Property*” definition have in the current and prior years been accounted for in accordance with GAMAP 17. The requirements of IAS40/AC135 have been exempted in terms of General notice 552 of 2007.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

9.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Listed Investments (Shares)
- Unlisted Investments (Local Authority Stock)
- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
	Financial Assets:
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Available for sale

9.2 *Financial Liabilities*

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Creditors
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Defined Benefit Obligations
- Consumer Deposits
- VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors are stated at their nominal value.

9.3 Measurement

Financial Instruments are in the current and prior years recognised and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 552 of 2007.

Financial Assets:

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets at fair value and available-for-sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities that are not held-for-trading are measured at amortised cost using the effective interest rate method.

9.4 Impairment of Financial Assets

At each balance sheet date an assessment is made whether there is any objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made for all debtors that are older than 90 days as all debtors are regarded as having similar credit risks.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

9. FINANCIAL INSTRUMENTS (continued)

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it's stored and controlled in reservoirs at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

11. REVENUE RECOGNITION

Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General Notice 552 of 2007.

11.1 Revenue from Exchange Transactions

11.1.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.1.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

11. REVENUE RECOGNITION (continued)

11.1 Revenue from Exchange Transactions (continued)

11.1.3 Interest Earned

Interest and rentals are recognised on a time proportion basis.

11.1.4 Dividends and Royalties

Dividends and royalties are recognised on the date that the Municipality becomes entitled to receive the dividend or royalty in accordance with the substance of the relevant agreement, where applicable.

11.1.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

11.1.6 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11.1.7 Housing Rental and Instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

11. REVENUE RECOGNITION (continued)

11.1 Revenue from Exchange Transactions (continued)

11.1.8 Sale of Goods

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.1.9 Government Grants and Public Contributions

Revenue from government grants and public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where government grants and public contributions have been received but the municipality has not met the condition, a liability is recognised. The requirements of IAS20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of General Notice 552 of 2007.

A government grant related to a non-current asset with a useful life (e.g. PPE, intangible assets, etc.), including non-monetary grants at fair value, are presented in the statement of financial position as deferred income that is recognised as income on a systematic and rational basis over the useful life of the asset.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

11. REVENUE RECOGNITION (continued)

11.2 Revenue from Non-exchange Transactions

11.2.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

11.2.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

11.2.3 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

11.2.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

13. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

14. POST-RETIREMENT BENEFITS

14.1 General

The municipality provides retirement benefits for its employees and councillors.

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement. A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

Contributions to defined contribution retirement benefit funds are recognised as an expense when employees and councillors have rendered employment service or served office entitling them to the contributions.

In the 2005/2006 Annual Financial Statements the defined benefit plans of the municipality was treated as a defined contribution plan, whereas in the 2006/2007 year the municipality adhered to the requirements of IAS19.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

14. POST-RETIREMENT BENEFITS (continued)

Own administered defined benefit plan

The defined benefit obligation, the related current cost and where applicable, past-service cost, is determined by using the Projected Unit Credit Method. The last actuarial valuations for both the Long-service Bonus Liability and the Medical Aid Liability for current and continuation members of the municipality were performed as at 30 June 2007.

A portion of the actuarial gains and losses is recognised as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value.

The portion of the actuarial gains and losses to be recognised is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of employees participating in the plan. Unvested past-service cost is recognised as an expense on the straight-line basis over the average period until the benefits become vested, while vested past-service costs are recognised as an expense in the Statement of Financial Performance.

Provincially administered defined benefit plan

The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

14.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

14. POST-RETIREMENT BENEFITS (continued)

membership fee. The other medical aid funds, with which the Municipality is associated, do not provide for continued membership.

15. LEASES

15.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

15.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

16. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

18. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

23. COMPARATIVE INFORMATION

23.1 Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current financial year only.

23.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1 LONG TERM LIABILITIES		
Annuity Loans	17,092,850	17,949,557
Other Loans	70,000,000	70,000,000
Sub-total	<u>87,092,850</u>	<u>87,949,557</u>
Less: Current Portion transferred to Current Liabilities:-	908,265	1,103,160
Annuity Loans	<u>908,265</u>	<u>1,103,160</u>
Other Loans	<u>-</u>	<u>-</u>
Total External Loans	<u>86,184,585</u>	<u>86,846,397</u>

(Refer to Appendix A for more detail on long-term liabilities.)

R56 480 646 (2006: R51 494 401) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Notes 9 and 30 for more detail.

2 NON-CURRENT PROVISIONS

Provision for Long-term Service	9,074,516	-
Provision for Post-retirement Benefits	38,020,557	-
Provision for Rehabilitation of Land-fill Sites	17,000,000	14,500,000
Total Non-current Provisions	<u>64,095,073</u>	<u>14,500,000</u>

Refer to Note 44 to the Financial Statements, "Other Defined Benefit Plan Information", for more information regarding the provisions for Post-retirement Health Care Benefits and Long-term Service Allowances.

The municipality will incur costs of R17 million to be able to licence the landfill refuse sites. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

The movement in non-current provisions are reconciled as follows:

	Illegal Dumping	Alien Vegetation	Long-term Service	Post-retirement Benefits	Land-fill Sites
30 June 2007					
Balance at beginning of year	-	-	-	-	14,500,000
Contributions to provision	-	-	10,040,195	39,943,719	2,500,000
Transfer to current provisions	-	-	(965,679)	(1,923,162)	-
Balance at end of year	<u>-</u>	<u>-</u>	<u>9,074,516</u>	<u>38,020,557</u>	<u>17,000,000</u>
30 June 2006					
Balance at beginning of year	-	-	-	-	14,500,000
Contributions to provision	-	-	-	-	-
Transfer to current provisions	-	-	-	-	-
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,500,000</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
3 CONSUMER DEPOSITS		
Electricity and Water	9,240,860	7,474,481
Total Consumer Deposits	9,240,860	7,474,481
Guarantees held in lieu of Electricity and Water Deposits	796,113	796,113

4 PROVISIONS

Performance Bonus	278,625	557,623
Current Portion of Non-Current Provisions (See Note 2 above):	2,888,841	-
Long-term Service	965,679	-
Post-retirement Benefits	1,923,162	-
Rehabilitation of Land-fill Sites	-	-
Total Provisions	3,167,466	557,623

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Refer to Note 44 to the Financial Statements, "Other Defined Benefit Plan Information", for more information regarding the provisions for Post-retirement Health Care Benefits and Long-term Service Allowances.

The movement in current provisions are reconciled as follows:

Performance Bonus

Balance at beginning of year	557,623	124,136
Contributions to provision	278,625	557,623
Expenditure incurred	(557,623)	(124,136)
Balance at end of year	278,625	557,623

Current Portion of Non-Current Provisions:

	Illegal Dumping	Alien Vegetation	Long-term Service	Post-retirement	Land-fill Sites
30 June 2007					
Balance at beginning of year	-	-	-	-	-
Transfer from non-current	-	-	965,679	1,923,162	-
Contributions to provision	-	-	-	-	-
Expenditure incurred	-	-	-	-	-
Balance at end of year	-	-	965,679	1,923,162	-
30 June 2006					
Balance at beginning of year	-	-	-	-	-
Transfer from non-current	-	-	-	-	-
Contributions to provision	-	-	-	-	-
Expenditure incurred	-	-	-	-	-
Balance at end of year	-	-	-	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
5 CREDITORS		
Trade Creditors	1,895,327	6,479,839
Payments received in Advance	34,799,431	29,233,144
Retentions	13,439,090	12,232,083
Staff Leave	17,800,156	14,115,451
Sundry Deposits	1,192,854	1,128,484
Other Creditors	3,023,403	20,295,978
Total Creditors	<u>72,150,261</u>	<u>83,484,979</u>

6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

7.1 Conditional Grants from Other Spheres of Government

	6,265,997	8,944,075
National Government Grants	3,609,452	5,751,063
Provincial Government Grants	2,440,324	1,556,624
Local Government Grants	216,221	1,636,388
Total Conditional Grants and Receipts	<u>6,265,997</u>	<u>8,944,075</u>

(See Note 18 for the reconciliation of Grants from Other Spheres of Government.)

The amount for Unspent Conditional Grants and Receipts are invested in ring-fenced investment accounts until utilised.

7 VAT

Vat Payable	<u>4,668,537</u>	<u>11,797,889</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

8 PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

30 June 2007

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	134,944,296	524,194,261	84,287,466	-	31,429,052	43,928,264	-	818,783,340
Cost	304,580,527	871,075,417	141,458,189	-	85,437,615	72,768,795	-	1,475,320,543
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Impaired Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(169,636,230)	(346,881,155)	(57,170,723)	-	(54,008,564)	(28,840,531)	-	(656,537,203)
- Cost	(169,636,230)	(346,881,155)	(57,170,723)	-	(54,008,564)	(28,840,531)	-	(656,537,203)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	177,333	57,903,567	8,000	-	5,132,976	-	-	63,221,876
Capital under Construction	-	4,721,873	-	-	-	-	-	4,721,873
Increases / Decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation:	(6,361,451)	(45,344,457)	(4,721,745)	-	(13,201,690)	(2,353,217)	-	(71,982,559)
- based on cost	(6,361,451)	(45,344,457)	(4,721,745)	-	(13,201,690)	(2,353,217)	-	(71,982,559)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals:	(11,197)	-	-	-	(692,846)	-	-	(704,043)
Cost / Revaluation	(12,961)	-	-	-	(2,496,012)	-	-	(2,508,973)
Accumulated Depreciation	1,764	-	-	-	1,803,166	-	-	1,804,930
Impaired Losses	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2007	128,748,982	541,475,245	79,573,721	-	22,667,492	41,575,047	-	814,040,487
Cost	304,744,899	933,700,856	141,466,189	-	88,074,580	72,768,795	-	1,540,755,319
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(175,995,917)	(392,225,612)	(61,892,468)	-	(65,407,088)	(31,193,748)	-	(726,714,832)
- Cost	(175,995,917)	(392,225,612)	(61,892,468)	-	(65,407,088)	(31,193,748)	-	(726,714,832)
- Revaluation	-	-	-	-	-	-	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

30 June 2006

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2005	140,594,934	484,018,349	87,994,555	-	29,586,896	46,323,326	-	788,518,059
Cost	303,665,432	790,488,875	140,557,162	-	72,612,560	72,768,795	-	1,380,092,823
Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(163,070,498)	(306,470,526)	(52,562,607)	-	(43,025,664)	(26,445,469)	-	(591,574,764)
- Cost	(163,070,498)	(306,470,526)	(52,562,607)	-	(43,025,664)	(26,445,469)	-	(591,574,764)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	36,044,899	901,027	-	12,890,443	-	-	49,836,369
Capital under Construction	915,094	44,541,643	-	-	-	-	-	45,456,737
Increases / Decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation:	(6,565,732)	(40,410,629)	(4,608,116)	-	(11,036,513)	(2,395,062)	-	(65,016,052)
- based on cost	(6,565,732)	(40,410,629)	(4,608,116)	-	(11,036,513)	(2,395,062)	-	(65,016,052)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	(11,774)	-	-	(11,774)
Cost / Revaluation	-	-	-	-	(65,387)	-	-	(65,387)
Accumulated Depreciation	-	-	-	-	53,613	-	-	53,613
Impaired Losses	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	134,944,296	524,194,261	84,287,466	-	31,429,052	43,928,264	-	818,783,340
Cost	304,580,527	871,075,417	141,458,189	-	85,437,615	72,768,795	-	1,475,320,543
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(169,636,230)	(346,881,155)	(57,170,723)	-	(54,008,564)	(28,840,531)	-	(656,537,203)
- Cost	(169,636,230)	(346,881,155)	(57,170,723)	-	(54,008,564)	(28,840,531)	-	(656,537,203)
- Revaluation	-	-	-	-	-	-	-	-

(Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.)

Land and Buildings were revalued to fair value by using the municipal valuation roll. The effective date of revaluation was 01 July 2004. The valuation was done by Nhlawini Consultants, registered and independent valuers. The NHBR indices, which indicate current building costs, were used to determine replacement values.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
8 INTANGIBLE ASSETS		
Carrying values at 1 July	-	-
Cost	-	-
Accumulated Amortisation	-	-
Acquisitions during the Year	2,762,389	-
Amortisation during the Year	(80,955)	-
Disposals during the Year:	182,130	-
At Cost	1,795,939	-
At Accumulated Amortisation	(1,613,809)	-
Carrying values at 30 June	2,863,565	-
Cost	4,558,329	-
Accumulated Amortisation	(1,694,764)	-

(Refer to Appendice "B" for more detail on Intangible Assets.)

9 INVESTMENTS

Listed

Listed Shares	369,000	369,000
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Financial Instruments

Fixed Deposits	64,673,864	59,687,619
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Total Investments

All Investments	65,042,864	60,056,619
Less: Short-term Portion transferred to Current Investments	-	-
	65,042,864	60,056,619

Market valuation of listed investments

Listed Shares	937,269	784,258
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Fixed Deposits of R56 480 646 (2006: R51 494 401) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 34.

Deposits of R3 890 992 (2006: R3 890 992) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R4 302 226 (2006: R4 302 226) are ring-fenced and attributable to the Capital Replacement Reserve.

10 LONG-TERM RECEIVABLES

Officials: Study Loans	808,569	862,889
Township Development	239,688	239,688
Sale of Erven	-	80,015
Capitalised Arrear Services	56,697,009	78,132,034
	57,745,267	79,314,626
Less: Current Portion transferred to Current Receivables:-	9,600,500	6,427,229
Capitalised Arrear Services	9,600,500	6,427,229
Total Long-term Receivables	48,144,767	72,887,397

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R **2006**
R

STUDY LOANS

In terms of the MFMA no Study Loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will continue until all loans have been repaid.

TOWNSHIP DEVELOPMENT

No Development Loans are granted to officials and public anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will be recovered over the remaining period of the loan agreements.

CAPITALISED ARREAR SERVICES

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

11 INVENTORY

Consumable Stores - at cost	1,039,776	1,922,649
Maintenance Materials - at cost	1,187,181	-
Spare Parts - at cost	93,578	-
Water - at cost	208,759	212,190
Unsold Properties held for resale - at cost	267,665	13,190,439
Total Inventory	2,796,959	15,325,278

12 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balances
As at 30 June 2007			
Service Debtors:	145,953,534	116,846,985	29,106,549
Assessment Rates	27,107,850	21,701,911	5,405,939
Electricity	18,373,116	14,709,087	3,664,029
Refuse	31,684,099	25,365,549	6,318,551
Sewerage	29,120,101	23,312,872	5,807,229
Water	39,668,368	31,757,568	7,910,800
Loan Instalments	10,272,137	8,223,632	2,048,504
Other Debtors	54,558,769	43,678,474	10,880,295
Total Consumer Debtors	210,784,439	168,749,092	42,035,348
As at 30 June 2006			
Service Debtors:	136,674,388	115,316,157	21,358,231
Assessment Rates	28,823,025	24,318,825	4,504,200
Electricity	20,767,570	17,522,203	3,245,367
Refuse	29,377,339	24,786,516	4,590,824
Sewerage	25,367,458	21,403,262	3,964,196
Water	32,338,996	27,285,351	5,053,644
Loan Instalments	2,827,081	2,385,290	441,790
Other Debtors	63,685,145	53,733,009	9,952,136
Total Consumer Debtors	203,186,614	171,434,456	31,752,158

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<i>Rates: Ageing</i>		
Current (0 - 30 days)	11,636,143	6,921,789
31 - 60 Days	1,849,333	1,745,492
61 - 90 Days	1,138,823	1,391,017
91 - 120 Days	959,692	1,224,529
+ 120 Days	11,523,860	17,540,198
Total	27,107,850	28,823,025
<i>Electricity: Ageing</i>		
Current (0 - 30 days)	8,586,752	8,272,589
31 - 60 Days	2,725,709	1,493,426
61 - 90 Days	1,422,391	843,127
91 - 120 Days	652,578	638,082
+ 120 Days	4,985,686	9,520,345
Total	18,373,116	20,767,570
<i>Refuse: Ageing</i>		
Current (0 - 30 days)	2,615,933	2,178,224
31 - 60 Days	1,942,742	1,100,355
61 - 90 Days	1,044,592	1,005,797
91 - 120 Days	951,768	958,731
+ 120 Days	25,129,065	24,134,232
Total	31,684,099	29,377,339
<i>Sewerage: Ageing</i>		
Current (0 - 30 days)	3,498,203	2,430,394
31 - 60 Days	2,007,367	1,043,097
61 - 90 Days	1,056,776	987,750
91 - 120 Days	971,230	1,410,622
+ 120 Days	21,586,525	19,495,595
Total	29,120,101	25,367,458
<i>Water: Ageing</i>		
Current (0 - 30 days)	10,170,567	4,452,023
31 - 60 Days	3,913,889	1,410,128
61 - 90 Days	2,199,166	2,469,017
91 - 120 Days	1,712,616	1,061,788
+ 120 Days	21,672,130	22,946,039
Total	39,668,368	32,338,996
<i>Loan Instalments: Ageing</i>		
Current (0 - 30 days)	1,409,615	790,278
31 - 60 Days	498,842	543,647
61 - 90 Days	449,791	470,637
91 - 120 Days	453,862	552,683
+ 120 Days	7,460,026	469,836
Total	10,272,137	2,827,081
<i>Other Debtors: Ageing</i>		
Current (0 - 30 days)	10,453,635	835,912
31 - 60 Days	3,059,082	726,806
61 - 90 Days	644,236	1,285,731
91 - 120 Days	945,442	753,430
+ 120 Days	39,456,374	60,083,265
Total	54,558,769	63,685,145

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

			2007 R	2006 R
Summary of Debtors by Customer Classification				
	Household	Industrial/ Commercial	National and Provincial Government	Other
30 June 2007	R	R	R	R
Current (0 - 30 days)	20,955,999	10,279,525	98,367	1,734,540
31 - 60 Days	11,689,504	4,096,493	32,938	1,569,006
61 - 90 Days	5,387,971	2,257,917	11,880	986,694
91 - 120 Days	85,495,195	32,842,956	150,272	29,578,454
+ 120 Days	-	-	-	-
Sub-total	123,528,669	49,476,891	293,457	33,868,695
Less: Provision for bad debts	100,763,388	40,358,721	-	27,626,983
Total Debtors by Customer Classification	22,765,282	9,118,169	293,457	6,241,712

Summary of Debtors by Customer Classification				
	Household	Industrial/ Commercial	National and Provincial Government	Other
30 June 2006	R	R	R	R
Current (0 - 30 days)	-	-	-	-
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
91 - 120 Days	-	-	-	-
+ 120 Days	-	-	-	-
Sub-total	-	-	-	-
Less: Provision for bad debts	-	-	-	-
Total Debtors by Customer Classification	-	-	-	-

The Customer Classification for 30 June 2006 could not be provided as the Billing System used by the municipality was not set-up to generate reports in this format.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	171,434,456	141,762,633
Contribution / (Reversal) to provision	61,870,937	68,559,320
Bad Debts written off	(64,556,302)	(38,887,497)
Balance at end of year	168,749,092	171,434,456

13 OTHER DEBTORS

Sundry Deposits	337,202	338,302
Sundry Debtors	1,890,524	1,265,711
Capital Projects	772,231	5,213,622
Insurance Claims	63,744	63,744
	3,063,702	6,881,379
Less: Provision for Bad Debts	(1,048,258)	-
Total Other Debtors	2,015,444	6,881,379

The provision for doubtful debts on other debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
The total amount of the provision for doubtful debts created is R1 048 258 and the following loans and receivables are included therein:		
Study Loans	808,569	-
Government Subsidy Claims	-	-
Township Development	239,688	-
Total Provision for Bad Debts on Other Debtors	1,048,258	-
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	-	-
Contribution / (Reversal) to provision	1,048,258	-
Bad Debts written off / recovered	-	-
Balance at end of year	1,048,258	-
14 SHORT-TERM INVESTMENT DEPOSITS		
Call Deposits	1,787,198	12,454,633
Notice Deposits	449,499	768,909
Total Short-term Investment Deposits	2,236,697	13,223,542
Deposits of R 62 591 (2006: R5 053 083) are ring-fenced and attributable to Unspent Conditional Grants.		
Deposits of R1 650 056 (2006: R1 662 579) are ring-fenced and attributable to the Capital Replacement Reserve.		
Deposits of R524 049 (2006: R6 108 683) are ring-fenced and attributable to Creditors of the municipality.		
15 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank - Secunda Branch - Account Number 15 1000 0141:</i>		
Cash book balance at beginning of year	(10,022,728)	(25,110,050)
Cash book balance at end of year	(12,484,318)	(10,022,728)
Bank statement balance at beginning of year	2,373,119	(10,762,770)
Bank statement balance at end of year	2,504,551	2,373,119
Cash Floats and Advances	18,220	18,327
Other Cash Equivalents	-	-
Cash on hand in Cash Floats, Advances and Equivalents	18,220	18,327
Total Bank and Cash	18,220	18,327
Total Overdraft	(12,484,318)	(10,022,728)
Total Bank and Cash	(12,466,098)	(10,004,401)

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
16 PROPERTY RATES		
Actual		
Residential	66,723,439	62,959,372
Commercial	31,448,125	30,796,542
Agricultural	6,697,861	539,327
State	4,906,238	3,832,935
Municipal	343,677	339,133
Total Assessment Rates	110,119,339	98,467,308
Property Valuations	July 2007	July 2006
	R000's	R000's
Residential	4,048,396,273	3,980,857,775
Commercial	1,130,952,360	1,259,074,657
Agricultural	92,038,400	259,256,717
State	154,361,150	43,671,667
Municipal	29,264,200	24,307,047
Exempted properties	286,500	-
Total Property Valuations	5,455,298,883	5,567,167,863
<p>Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. The last valuation came into effect on 1 July 2004. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>A general rate of 2,0187 c/R (2005/2006: 1,7687 c/R) is applied to property valuations to determine assessment rates. Rebates of 40% are applied to pensioners. A discount of 20% was granted to the State.</p> <p>Rates are levied monthly and are payable the 7th of each month. Interest on outstanding rates amounts is levied at a rate determined by council.</p> <p>A uniform rate for the same class and type of property will be applied with the implementation of the Property Rates Act. It is envisaged that such rate will be introduced with effect as from 01 July 2008.</p>		
17 SERVICE CHARGES		
Sale of Electricity	139,410,375	133,398,405
Sale of Water	95,676,786	79,707,163
Refuse Removal	32,846,856	27,980,655
Sewerage and Sanitation Charges	30,706,671	26,736,746
Total Service Charges	298,640,689	267,822,969
18 GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	65,331,808	55,436,331
Provincial Health Subsidies	1,267,000	1,305,750
Other Subsidies	1,222,338	474,340

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
Conditional Grants	106,834,727	76,485,744
National: FMG	6,123,253	1,219,346
Provincial: MIG	52,253,995	36,659,657
Provincial: DPLG Grant	1,219,653	510,000
Provincial: Housing Grant	12,141,508	2,743,448
Provincial: Mineral and Energy Grant	4,261,482	2,887,491
Provincial: MSIG	1,612,239	588,369
Provincial: Sport and Development	-	-
Local Government: Gert Sibande District Municipality Grant	28,776,320	-
Local Government: LDM Grant	-	31,819,424
Other Government: Sasol	446,276	-
Other Government: SETA	-	58,009
Total Government Grants and Subsidies	174,655,873	133,702,165
18.1 Provincial: Equitable Share	65,331,808	55,436,331

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to the basic charges for Electricity, Refuse Removal, Sewerage and Water Services, which subsidy is adjusted as tariffs increase. All residential households receive 6 kl water and 50 kWh electricity free every month.

18.2 Provincial: Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	1,267,000	1,305,750
Conditions met - transferred to revenue	(1,267,000)	(1,305,750)
Conditions still to be met - transferred to current assets (see note 13)	-	-

This grant has been used exclusively to fund clinic services (included in Appendix "D"), which services are in a process of being transferred to District Municipalities. This grant will then fall away. The conditions of the grant have been met and there was no delay or withholding of the subsidy.

18.3 National: FMG Grant

Balance unspent at beginning of year	5,751,063	3,635,310
Current year receipts	3,981,642	3,335,099
Conditions met - transferred to revenue	(6,123,253)	(1,219,346)
Conditions still to be met - transferred to liabilities (see note 6)	3,609,452	5,751,063

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

18.4 Provincial: MIG Funds

Balance unspent at beginning of year	-	911,888
Current year receipts	54,197,995	35,747,769
Conditions met - transferred to revenue	(52,253,995)	(36,659,657)
Conditions still to be met - transferred to liabilities (see note 6)	1,943,999	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
The Municipal Infrastructure Grant (MIG) was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.		

18.5 Provincial: Department Local Government (DPLG)

Balance unspent at beginning of year	738,268	330,962
Current year receipts	498,113	917,307
Conditions met - transferred to revenue	(1,219,653)	(510,000)
Conditions still to be met - transferred to liabilities (see note 6)	<u>16,729</u>	<u>738,268</u>

This grant was granted to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.

18.6 Provincial: Department Housing

Balance unspent at beginning of year	300,810	1,537,367
Current year receipts	11,912,314	1,506,890
Conditions met - transferred to revenue	(12,141,508)	(2,743,448)
Conditions still to be met - transferred to liabilities (see note 6)	<u>71,616</u>	<u>300,810</u>

This grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as agent for the implementation of the plan and used the funds to improve living conditions in hostels. No funds have been withheld.

18.7 Provincial - Department Minerals and Energy (DME)

Balance unspent at beginning of year	-	686,762
Current year receipts	4,261,482	2,200,729
Conditions met - transferred to revenue	(4,261,482)	(2,887,491)
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>-</u>

This grant was used to improve the electricity network of the municipality. No funds have been withheld.

18.8 Provincial: MSIG

Balance unspent at beginning of year	483,946	338,315
Current year receipts	1,425,402	734,000
Conditions met - transferred to revenue	(1,612,239)	(588,369)
Conditions still to be met - transferred to liabilities (see note 6)	<u>297,109</u>	<u>483,946</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks. No funds have been withheld.

18.9 Provincial: Sport and Development

Balance unspent at beginning of year	33,600	-
Current year receipts	77,271	33,600
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>110,871</u>	<u>33,600</u>

This grant was received for the promotion and development of sport and will be utilised as such as soon as a project has been identified. No funds have been withheld.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
18.10 Local Government - Gert Sibande District Municipality Grant (LDM)		
Balance unspent at beginning of year	1,573,238	1,573,238
Current year receipts	27,419,303	-
Conditions met - transferred to revenue	(28,776,320)	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>216,221</u>	<u>1,573,238</u>

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

18.11 Local Government - Local District Municipality Grant (LDM)

Balance unspent at beginning of year	63,150	57,950
Current year receipts	(63,150)	31,824,624
Conditions met - transferred to revenue	-	(31,819,424)
Conditions still to be met - transferred to liabilities (see note 6)	<u>(0)</u>	<u>63,150</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

18.12 Other Spheres of Government - Sasol

Balance unspent at beginning of year	-	3,574
Current year receipts	446,276	(3,574)
Conditions met - transferred to revenue	(446,276)	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>-</u>

18.13 Other Spheres of Government - SETA

Balance unspent at beginning of year	-	58,009
Current year receipts	-	-
Conditions met - transferred to revenue	-	(58,009)
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>-</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

18.14 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2006), government grant funding is expected to increase over the forthcoming three financial years.

19 OTHER INCOME

Sundry Services Rendered	2,667,574	3,261,573
Sundry Fees Charged	872,514	2,136,281
Other Income	7,570,292	2,750,331
Total Other Income	<u>11,110,381</u>	<u>8,148,185</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
20 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	113,330,046	105,843,843
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	35,050,422	32,447,742
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	9,768,790	10,081,154
Housing Benefits and Allowances	848,242	1,111,272
Overtime Payments	17,533,406	11,197,994
Performance Bonuses	369,088	369,088
Defined Benefit Plan Expense:	49,983,914	-
Current Service Cost	-	-
Interest Cost	-	-
Vested Past Service Cost	49,983,914	-
Total Employee Related Costs	226,883,908	161,051,094

There were no advances to employees. Loans to employees are set out in Note 10.

Remuneration of the Municipal Manager

Annual Remuneration	360,648	81,085
Performance Bonus	-	-
Car Allowance	135,184	48,116
Company Contributions to UIF, Medical and Pension Funds	65,377	-
Total	561,209	129,201

The post was vacant until 30 September 2006. An Acting Allowance was paid for the period 1 July 2006 to 30 September 2006.

Remuneration of the Chief Financial Officer

Annual Remuneration	549,215	339,529
Performance Bonus	81,000	-
Car Allowance	8,153	6,229
Company Contributions to UIF, Medical and Pension Funds	15,927	-
Total	654,295	345,758

Remuneration of the Director: Corporate Services

Annual Remuneration	248,854	298,389
Performance Bonus	-	-
Car Allowance	48,000	130,170
Company Contributions to UIF, Medical and Pension Funds	50,500	82,501
Total	347,354	511,060

The post was vacant until 31 December 2006. An Acting Allowance was paid for the period 1 July 2006 to 31 December 2006.

Remuneration of the Director: Environmental Affairs and Tourism

Annual Remuneration	213,691	298,389
Performance Bonus	73,640	46,292
Car Allowance	55,073	130,170
Company Contributions to UIF, Medical and Pension Funds	26,080	82,501
Total	368,484	557,352

The post was vacant until 31 January 2007. An Acting Allowance was paid for the period 1 July 2006 to 31 January 2007.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
<i>Remuneration of the Director: Health Services</i>		
Annual Remuneration	173,758	299,000
Performance Bonus	73,640	-
Car Allowance	48,000	119,701
Company Contributions to UIF, Medical and Pension Funds	33,942	92,359
Total	329,340	511,060

<i>Remuneration of the Director: Public Safety</i>		
Annual Remuneration	216,689	300,000
Performance Bonus	-	46,584
Car Allowance	54,000	118,461
Company Contributions to UIF, Medical and Pension Funds	46,520	92,600
Total	317,209	557,644

The post was vacant until 7 January 2007. An Acting Allowance was paid for the period 1 July 2006 to 7 January 2007.

<i>Remuneration of the Director: Technical and Engineering Services</i>		
Annual Remuneration	118,085	294,474
Performance Bonus	29,456	31,260
Car Allowance	23,333	122,550
Company Contributions to UIF, Medical and Pension Funds	18,329	94,037
Total	189,203	542,320

The post was vacant until 30 April 2007. An Acting Allowance was paid for the period 1 July 2006 to 30 April 2007.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
21 REMUNERATION OF COUNCILLORS		
Executive Mayor	394,480	411,885
Deputy Mayor	311,784	108,074
Speaker	321,483	364,407
Chief Whip	13,731	307,291
Mayoral Committee Members	1,494,144	1,568,839
Councillors	6,327,170	4,832,544
Company Contributions to UIF, Medical and Pension Funds	1,195,747	1,024,435
Sundry Allowances (Cellular Phones, etc)	557,312	524,266
Allowances allocated to Employee Related Costs in General Ledger	127,221	(2,346,408)
Total Councillors' Remuneration	10,743,072	6,795,332

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Councillors may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed: Municipal Manager

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
22 INTEREST PAID		
Long-term Liabilities	13,269,620	12,556,688
Finance Leases	-	10,618
Bank Overdrafts and Other	174,771	398,857
Total Interest on External Borrowings	<u>13,444,391</u>	<u>12,966,162</u>

23 BULK PURCHASES		
Electricity	81,260,253	73,196,059
Water	53,799,383	51,457,824
Total Bulk Purchases	<u>135,059,636</u>	<u>124,653,883</u>

24 GRANTS AND SUBSIDIES PAID		
Low Income Subsidy	19,929,213	28,041,765
SPCA	17,585,572	134,304
Potato Festival	-	19,610
Other	44,913,978	62,211
Total Grants and Subsidies	<u>82,428,764</u>	<u>28,257,890</u>

The Low Income Subsidy is in respect of providing basic service levels to indigent households. Refer to Note 18.1.

The SPCA receives a monthly grant to enable them to prevent cruelty to animals. The grant is increased on an annual basis.

The Executive Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

25 GENERAL EXPENSES

Included in General Expenses is the following:

25.1 Rentals: Operating Leases	<u>275,584</u>	<u>235,827</u>
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Rentals paid in respect of operating leases are the minimum lease payments for the year under review for office equipment held under non-cancellable operating lease agreements. Also see Note 43 in this regard.

25.2 Material losses:-

Robbery / burglary at Secunda Testing Ground	-	7,842
Robbery at Trichardt Municipal Offices	-	44,158
Money box stolen at Secunda Civic Centre	-	206,241
Robbery at Kinross Municipal Offices	35,768	-
Burglaries at Emzinoni Municipal Offices	53,448	-
Robbery at 35 Tugela Street	16,807	-
	<u>106,023</u>	<u>258,241</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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26 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following International Accounting Standards for the first time during the financial year 2006/2007 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 38 Intangible Assets

The transitional provisions of the above-mentioned standards have not been adopted, with the exception of the transitional provisions of IAS 19. The transitional provisions of IAS 19 have been adopted as follows:

IAS 19 - Employee Benefits, paragraph 155 (a):

The transitional defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, 155 (a). Thus the full net liabilities as at 30 June 2007 has been recognised immediately in the

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is a decrease of R35,5 million for the financial year 2006/2007 and the nature of the changes in the Accounting Policies is as follows:

- IAS 19	Increase in expense for Employee Benefits	49,983,914	-
- IAS 32 & 39	Increase in expense for Provision for Bad Debts	1,048,258	-
- IAS 38	Effect on Property, Plant and Equipment	(1,795,939)	-
- IAS 38	Effect on Intangible Assets	1,795,939	-
Total decrease in Surplus for the Year 2006/2007		51,032,172	-

The effect of the above-mentioned changes in Accounting Policies on the accumulated surplus as at 30 June 2007 is a decrease of R51,032 million, whilst the accumulated surplus of prior years was not affected.

27 CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2006 and 30 June 2007.

Details of the appropriations are as follows:

Corrections to Creditors	808,552	7,953,434
Corrections to Debtors	(81,047)	(12,151,718)
Corrections to External Loans	(16,465)	(786,644)
Corrections to Investments	-	(62,238)
Corrections to Long-term Debtors	(983)	-
Corrections to Salary Control Accounts	(854)	(1,231,667)
Corrections to Stock	(53,864)	(577)
Corrections to Sundry Deposits	-	(850)
Corrections to Expenditure	299,888	(311,780)
Corrections to Income	(4,711,416)	-
Decrease in accumulated surplus	(3,756,189)	(6,592,041)

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
28 CASH GENERATED BY OPERATIONS		
Surplus for the Year	(67,238,259)	(8,582,611)
Adjustment for:		
Correction of prior year Error	(3,756,189)	(6,592,041)
Change in Accounting Policy	-	-
Depreciation	72,063,514	65,016,052
Gain on Disposal of Property, Plant and Equipment	(7,357,328)	(107,088)
Contribution to Provisions - Current	-	-
Contribution to Provisions - Non-current	-	-
Contribution to Bad Debt Provision	61,870,937	68,559,320
Bad Debts written-off / recovered	(64,556,302)	(38,887,497)
Dividends Received	(23,386)	(7,908)
Investment Income	(5,681,466)	(8,425,330)
Interest Paid	13,444,391	12,966,162
Operating surplus before working capital changes	(1,234,089)	83,939,059
(Increase)/Decrease in Inventories	12,528,319	4,220,316
(Increase)/Decrease in Debtors	(7,597,826)	(24,999,127)
(Increase)/Decrease in Other Debtors	4,865,935	48,610,637
Increase/(Decrease) in Provisions	52,204,916	433,487
Increase/(Decrease) in Conditional Grants and Receipts	(2,678,078)	(189,301)
Increase/(Decrease) in Creditors	(11,334,718)	17,606,119
Increase/(Decrease) in VAT	(7,129,352)	11,135,710
Cash generated by / (utilised in) operations	39,625,108	140,756,901

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank Balances and Cash	18,220	18,327
Bank Overdraft	(12,484,318)	(10,022,728)
Total Cash and Cash Equivalents	(12,466,098)	(10,004,401)

30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 1)	87,092,850	87,949,557
Used to finance Property, Plant and Equipment - at cost	(87,092,850)	(87,949,557)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 1 and 9)	56,480,646	51,494,401
Cash invested for Repayment of Long-term Liabilities	56,480,646	51,494,401

External loans have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007 **2006**
R **R**

31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

31.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 37)	-	-
Transfer to receivables for recovery (see Note 17)	-	-
Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings

31.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	95,055	374,234
Fruitless and Wasteful Expenditure current year	26,074	95,055
Condoned or written off by Council	(95,055)	(374,234)
To be recovered – contingent asset (see Note 37)	-	-
Transfer to receivables for recovery (see Note 17)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>26,074</u>	<u>95,055</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors</i>	<i>None</i>

31.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	-	-
Irregular Expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 37)	-	-
Transfer to receivables for recovery (see Note 17)	-	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	605,718	1,348,578
Amount Paid - current year	(605,718)	(1,348,578)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

32.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	550,080	1,012,588
Amount Paid - current year	(550,080)	(1,012,588)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
<u>32.3 VAT</u>		
VAT inputs receivables and VAT outputs receivables are shown in Note 7. All VAT returns have been submitted by the due date throughout the year.		
<u>32.4 PAYE and UIF</u>		
Opening Balance	1,442,154	1,404,126
Current year Payroll Deductions	20,179,498	16,688,283
Amount Paid - current year	(21,621,652)	(16,650,255)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	1,442,154
<u>32.5 Pension and Medical Aid Deductions</u>		
Opening Balance	3,858,009	3,171,588
Current year Payroll Deductions and Council Contributions	44,308,195	44,489,028
Amount Paid - current year	(48,166,203)	(43,802,607)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	3,858,009

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	2006 R
<u>32.6 Councillor's arrear Consumer Accounts</u>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2007	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Gwiji C V	617	400	217
Councillor Hlatshwayo Z A	2,243	114	2,129
Councillor Mahlanhu B D	1,848	107	1,741
Councillor Gwebu N J	25,986	773	25,213
Councillor Zulu B S	690	478	212
Councillor Dyusha T	705	24	681
Councillor Maseko T S N	11,314	773	10,541
Councillor Mtsweni T P	15,360	1,123	14,237
Councillor Vilakazi S C	10,084	1,939	8,145
Total Councillor Arrear Consumer Accounts	68,847	5,731	63,116

30 June 2006	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Badenhorst HJ	778	139	639
Councillor Buthelezi TM	402	402	-
Councillor Gwiji CV	3,118	615	2,503
Councillor Hlatshwayo ZA	6,764	92	6,671
Councillor Khanye EN	8,615	158	8,456
Councillor Mabhena MP	752	94	659
Councillor Madonsela EM	222	222	-
Councillor Mlotshwa TL	448	8	440
Councillor Mtsweni O	1,583	1,583	-
Councillor Van Tonder DJ	4,112	4,112	-
Total Councillor Arrear Consumer Accounts	26,794	7,426	19,368

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2007	Highest amount outstanding	Ageing
None	-	> 90 Days
30 June 2006	Highest amount outstanding	Ageing
None	-	> 90 Days

32.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

32.8 Deviations from the Supply Chain Management Policy

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council on 13 June 2007, which condoned the various cases. Council's Resolution A14/06/2007 refers.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
33 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	2,160,443	17,745,426
<i>Infrastructure</i>	2,160,443	17,745,426
<i>Community</i>	-	-
<i>Heritage</i>	-	-
<i>Other</i>	-	-
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
- Approved but Not Yet contracted for:-	-	-
<i>Infrastructure</i>	-	-
<i>Community</i>	-	-
<i>Heritage</i>	-	-
<i>Other</i>	-	-
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
Total Capital Commitments	2,160,443	17,745,426
This expenditure will be financed from:		
External Loans	-	-
Capital Replacement Reserve	-	-
Government Grants	2,160,443	17,745,426
District Council Grants	-	-
Public Contributions	-	-
Own Resources	-	-
	2,160,443	17,745,426

34 RETIREMENT BENEFIT INFORMATION

All Councillors belong to the Pension Fund for Municipal Councillors. The fund is subject to a triennial actuarial valuation. No details could be provided of the last valuation.

Employees belong to a variety of approved Pension and Provident Funds. These funds are subject to a triennial actuarial valuation. No details could be provided of the last valuations of the various funds.

An amount of R24,1 million (2005: R20,9 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007	2006
R	R

35 CONTINGENT LIABILITIES

35.1 Legal Cases:

(i) Council is involved in a civil suit in excess of R8,4 million arising from contamination of the Blesbokspuit River into the farm of mr and mrs PJ Uys in Bethal. The afore-mentioned cost does not include legal and associated costs. The total cost for this suit is not known yet..

(ii) Council is being sued by JC Roarty for damages, as a result of a veld fire that ravaged through Roarty's farm in Leandra, amounting to R1 million. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this

(iii) Council is involved in a law suit with SP Mncwabe & 20 Others amounting to R2,2 million for malicious damage and impounding of property when relocating people from eMbalenhle to Kinross Extension 25. The claim excludes associated legal costs. The outcome of the legal process is unknown at this stage.

(iv) A former employee of the municipality, JA Schoeman, is claiming an amount of R33 950,28 from council, being interest on an alleged delayed pension payout of R228 421,28. The outcome for this suit is not known yet.

(v) Council is being sued for R322 591,23 by VA Jiyane for loss of business, arising from debt collection action. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at this stage.

(vi) Council is being sued for R396 911,50 by Pride Milling for alleged switching on of electricity without properly ensuring that phase rotation was correctly connected after electricity was switched off for maintenance purposes. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at this stage.

(vii) Council is being sued for R2 850 528,50 by the Road Accident Fund for alleged negligence when a multiple vehicle collision on 24 June 2004 was allegedly caused by a veld fire close to Bethal. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at this stage.

(viii) Council is being sued for R100 000,00 by Ms Diana Herbert for alleged injuries sustained in the vicinity of Bethal Spar when she fell to the ground. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at

(ix) Council is being sued for R22 000,00 by Mr Singh for damages to his motor car arising from an accident allegedly caused by a municipal vehicle. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at this stage.

36 CONTINGENT ASSET

No known contingent assets existed at the reporting date.

37 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance was received.

38 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year 2006/2007.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007	2006
R	R

39 EVENTS AFTER THE REPORTING DATE

39.1 Electricity Function:

The Municipality has agreed in principle to transfer its electricity function to the new Regional Electricity Distributor (RED) – Region AB. The date of transfer is unknown at this stage. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenues of the RED will be or what the terms and conditions will be. There is ongoing discussions with the management of RED Region AB and EDI Holdings, which is the responsible authority for the implementation of RED's nationally.

39.2 Primary Health Care Function:

The Municipality has agreed in principle to transfer the Primary Health Services to the Mphumalanga Provincial Government as from 1 July 2007. All staff, equipment and vehicles are to be transferred, but the immovable properties remain the assets of the municipality, which will be rented to Province. However, at the Reporting Date no agreements were finalised and the Municipality is still responsible for the operations and funding of the services until further notice.

40 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

41 RISK EXPOSURES

The municipality is at risk in the following areas:

- (i) *Credit Risk*, which is defined as the risk that one party to a financial instrument will fail to honour its obligation, thus causing the other party to incur a financial loss.
- (ii) *Interest Rate Risk*, which is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	65,042,864	60,056,619
Long-term Receivables	57,745,267	79,314,626
Consumer Debtors	42,035,348	31,752,158
Other Debtors	2,015,444	6,881,379
Short-term Investment Deposits	2,236,697	13,223,542
Bank and Cash Balances	18,220	18,327
Maximum Credit and Interest Risk Exposure	169,093,839	191,246,651

42 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Investments			
Listed Investments	Held to maturity	369,000	369,000
Unlisted Investments	Held to maturity	-	-
Fixed Deposits	Held to maturity	64,673,864	59,687,619
Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	808,569	862,889
Township Development	Loans and receivables	239,688	239,688
Sale of Erven	Loans and receivables	-	80,015
Capitalised Areear Services	Loans and receivables	47,096,509	71,704,805
Consumer Debtors			
Assessment Rates	Loans and receivables	5,405,939	4,504,200
Electricity	Loans and receivables	3,664,029	3,245,367
Refuse	Loans and receivables	6,318,551	4,590,824
Sewerage	Loans and receivables	5,807,229	3,964,196
Water	Loans and receivables	7,910,800	5,053,644
Loan Instalments	Loans and receivables	2,048,504	441,790
Other Debtors	Loans and receivables	10,880,295	9,952,136
Other Debtors			
Payments made in Advance	Loans and receivables	-	-
Short-term Loans	Loans and receivables	-	-
Sundry Deposits	Loans and receivables	337,202	338,302
Sundry Debtors	Loans and receivables	1,890,524	1,265,711
Capital Projects	Loans and receivables	772,231	5,213,622
Insurance Claims	Loans and receivables	63,744	63,744
Government Subsidy Claims	Loans and receivables	-	-
Fruitless and Wasteful Expenditure		-	-
Irregular Expenditure		-	-
Unauthorised Expenditure		-	-
Current Portion of Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	-	-
Township Development	Loans and receivables	-	-
Sale of Erven	Loans and receivables	-	-
Capitalised Areear Services	Loans and receivables	9,600,500	6,427,229
Short-term Investment Deposits			
Call Deposits	Held to maturity	1,787,198	12,454,633
Notice Deposits	Held to maturity	449,499	768,909

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
Short-term Portion of Investments	Held to maturity	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	2006 R
Bank Balances and Cash			
Bank Balances	Available for sale	-	-
Cash Floats and Advances	Available for sale	18,220	18,327
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Listed Investments	369,000	369,000
Investments	Unlisted Investments	-	-
Investments	Fixed Deposits	64,673,864	59,687,619
Short-term Investment Deposits	Call Deposits	1,787,198	12,454,633
Short-term Investment Deposits	Notice Deposits	449,499	768,909
Short-term Investment Deposits	Short-term Portion of Investments	-	-
		<u>67,279,560</u>	<u>73,280,161</u>
Loans and Receivables			
Long-term Receivables	Officials: Relocation Loans	808,569	862,889
Long-term Receivables	Township Development	239,688	239,688
Long-term Receivables	Sale of Erven	-	80,015
Long-term Receivables	Capitalised Areear Services	47,096,509	71,704,805
Consumer Debtors	Assessment Rates	5,405,939	4,504,200
Consumer Debtors	Electricity	3,664,029	3,245,367
Consumer Debtors	Refuse	6,318,551	4,590,824
Consumer Debtors	Sewerage	5,807,229	3,964,196
Consumer Debtors	Water	7,910,800	5,053,644
Consumer Debtors	Loan Instalments	2,048,504	441,790
Consumer Debtors	Other Debtors	10,880,295	9,952,136
Other Debtors	Payments made in Advance	-	-
Other Debtors	Short Term Loans	-	-
Other Debtors	Sundry Deposits	337,202	338,302
Other Debtors	Sundry Debtors	1,890,524	1,265,711
Other Debtors		772,231	5,213,622
Other Debtors		63,744	63,744
Other Debtors	Government Subsidy Claims	-	-
Other Debtors	Fruitless and Wasteful Expenditure	-	-
Other Debtors	Irregular Expenditure	-	-
Other Debtors	Unauthorised Expenditure	-	-
Current Portion of Long-term Receivables	Officials: Relocation Loans	-	-
Current Portion of Long-term Receivables	Township Development	-	-
Current Portion of Long-term Receivables	Sale of Erven	-	-
Current Portion of Long-term Receivables	Capitalised Areear Services	9,600,500	6,427,229
		<u>102,844,316</u>	<u>117,948,163</u>
Available for Sale:			
Bank Balances and Cash	Bank Balances	-	-
Bank Balances and Cash	Cash Floats and Advances	18,220	18,327
		<u>18,220</u>	<u>18,327</u>
Total Financial Assets		<u>170,142,097</u>	<u>191,246,651</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
43 OPERATING LEASE ARRANGEMENTS		
The Municipality as Lessee:		
At the Statement of Financial Position date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Up to 1 year	569,872	38,137
1 to 3 years	902,297	-
More than 3 years	-	-
Total Operating Lease Arrangements	1,472,169	38,137

The following restrictions (if any) have been imposed on the municipality in terms of the (specify) lease agreements:

44 OTHER DEFINED BENEFIT PLAN INFORMATION

44.1 Provision for Post-employment Health Care Benefits

The Post-employment Health Care Benefit Plan is a defined benefit plan of which the members are made up as follows:

In-service Members (Employees)	161	-
Continuation Members (Retirees, widowers and orphans)	86	-
Total Members	247	-

The liability in respect of past service has been estimated as follows:

In-service Members	10,841,421	-
Continuation Members	29,102,298	-
Total Liability	39,943,719	-

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Munimed

The Future-service Cost for the ensuing year is estimated to be R980 920, whereas the Interest Cost for the year after is estimated to be R3 195 498.

Present value of fund obligations	-	-
Fair value of plan assets	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	39,943,719	-
Net Liability / (Asset)	39,943,719	-

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, *Employee Benefits*, paragraph 155 (a).

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
Reconciliation of Present Value of Fund Obligation:		
Present value of fund obligation at the beginning of the year	37,815,969	-
Current service costs	908,259	-
Benefits paid	(1,805,786)	-
Interest cost	3,025,277	-
Past service costs	-	-
Actuarial (gains) / losses	-	-
Contributions	-	-
Present Value of Fund Obligation at the end of the Year	39,943,719	-
Reconciliation of Fair Value of Plan Assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	1,805,786	-
Contributions: Employee	-	-
Past-service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	(1,805,786)	-
Fair Value of Plan Assets at the end of the Year	-	-
Key Assumptions Used:		
Discount rate	8.00%	
Health Care Cost Inflation Rate	6.50%	
Net Effective Discount Rate	1.41%	
44.2 Provision for Long-service Allowances		
The Long-service Allowance Plan is a defined benefit plan. At year end, 1 448 employees were eligible for Long-services Bonuses.		
The Future-service Cost for the ensuing year is estimated to be R938 995, whereas the Interest Cost for the year after is estimated to be R803 216.		
Present value of fund obligations	-	-
Fair value of plan assets	-	-
	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	10,040,195	-
Net Liability / (Asset)	10,040,195	-
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, <i>Employee Benefits</i> , paragraph 155 (a).		
Reconciliation of Present Value of Fund Obligation:		
Present value of fund obligation at the beginning of the year	9,302,846	-
Current service costs	869,440	-
Benefits paid	(876,318)	-
Interest cost	744,228	-
Past service costs	-	-
Actuarial (gains) / losses	-	-
Contributions	-	-
Present Value of Fund Obligation at the end of the Year	10,040,195	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Reconciliation of Fair Value of Plan Assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	876,318	-
Contributions: Employee	-	-
Past-service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	(876,318)	-
Fair Value of Plan Assets at the end of the Year	-	-
Key Assumptions Used:		
Discount rate	8.00%	
Health Care Cost Inflation Rate	6.00%	
Net Effective Discount Rate	1.89%	

46 RELATED PARTY TRANSACTIONS

46.1 Services rendered to Related Parties

	Assessment	Service	Other	Outstanding
	Rates	Charges	Charges	Balances
For the Year ended 30 June 2007				
Councillors	58,429	144,252	10,162	92,127
Municipal Manager and Section 57 Personnel	8,453	13,396	1,223	7,046
Municipal Entities	-	-	-	-
Total Services	66,882	157,649	11,386	99,173
For the Year ended 30 June 2006				
Councillors	-	-	-	-
Municipal Manager and Section 57 Personnel	-	-	-	-
Municipal Entities	-	-	-	-
Total Services	-	-	-	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

46.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 10 to the Annual Financial Statements.

46.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 20 and 21 respectively, to the Annual Financial Statements.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007	2006
R	R
2007	2006
R	R

46.4 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
None declared by Councillors / Managers				-	-
None declared by Councillors / Managers				-	-
Total Purchases				-	-

47 EXEMPTIONS FROM MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the Standards and aspects or parts of these Standards listed in Accounting Policy 1. In the table set out below, the exemptions offered have been listed together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table:

APPENDIX A

GOVAN MBEKI MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2006	Received during the Period	Redeemed/ Written Off during Period	Balance at 30/06/2007	Carrying Value of Property, Plant & Equip	Other Costs in accordance with MFMA
	R				R	R	R	R	R	R
ANNUITY LOANS										
ABSA	3,000,000	14.50%	30 0877 5002	30/06/2012	2,287,722	-	258,209	2,029,514		
DBSA	321,368	15.50%	11167/102	30/09/2019	290,604	-	7,342	283,262		
DBSA	585,000	15.50%	11167/202	30/09/2019	543,674	-	13,365	530,309		
DBSA	169,348	9.25%	12041/102	30/06/2010	55,026	-	11,951	43,075		
DBSA	125,000	10.05%	12042/102	30/06/2011	51,118	-	8,323	42,795		
DBSA	488,000	12.00%	12187/102	31/12/2007	86,482	-	55,971	30,511		
DBSA	393,000	13.30%	12968/102	31/12/2007	71,835	-	46,344	25,491		
DBSA	4,918,492	16.50%	13427/102	30/09/2019	4,563,096	-	104,809	4,458,288		
DBSA	10,000,000	14.25%	101781/1	30/04/2016	10,000,000	-	350,393	9,649,607		
Total Annuity Loans	20,368,484				17,949,557	-	856,707	17,092,850	-	-
OTHER LOANS										
INCA	30,000,000	15.25%	HIGH-00-0001	30/06/2011	30,000,000	-	-	30,000,000		
INCA	40,000,000	16.50%	HIGH-00-0002	30/06/2011	40,000,000	-	-	40,000,000		
INCA	-				-	-	-	-		
Total Other Loans	70,000,000				70,000,000	-	-	70,000,000	-	-
TOTAL EXTERNAL LOANS	90,768,484				87,949,557	-	856,707	87,092,850	-	-

APPENDIX B

GOVAN MBEKI MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings											
Buildings: Let-out	1	-	-	-	1	1	-	-	1	-	-
Carports	25,000	-	-	-	25,000	25,000	-	-	25,000	-	-
Farms	4,628,059	-	-	-	4,628,059	4,628,059	-	-	4,628,059	-	-
Flats Block	4,761,387	-	-	-	4,761,387	4,761,387	-	-	4,761,387	-	-
Hostels: Public and Tourist	576,435	-	-	-	576,435	78,460	19,214	-	97,674	478,761	-
Hostels: Workers	52,213,422	-	-	-	52,213,422	14,034,901	1,740,447	-	15,775,348	36,438,074	8,000,000
Houses	31,039,813	-	-	-	31,039,813	30,873,243	11,167	-	30,884,410	155,403	-
Houses: Selling Schemes	2,810,000	-	-	-	2,810,000	2,810,000	-	-	2,810,000	-	-
Land	61,774,476	177,333	-	-	61,951,809	61,774,476	-	-	61,774,476	177,333	-
Office Buildings	135,221,415	-	-	12,961	135,208,454	43,244,794	4,384,649	1,764	47,627,679	87,580,774	-
Office Parks	1	-	-	-	1	1	-	-	1	-	-
Shopping Centres	4,603,790	-	-	-	4,603,790	4,603,790	-	-	4,603,790	-	-
Workshops and Depots	6,926,728	-	-	-	6,926,728	2,802,118	205,973	-	3,008,091	3,918,636	-
	304,580,527	177,333	-	12,961	304,744,899	169,636,230	6,361,451	1,764	175,995,917	128,748,982	8,000,000
Infrastructure											
<i>Airports:</i>											
Aprons	1	-	-	-	1	-	-	-	-	1	-
Radio Beacons	690	-	-	-	690	418	34	-	452	238	-
Taxiways	649,701	-	-	-	649,701	132,647	32,485	-	165,132	484,569	-
<i>Electricity:</i>											
Meters	9,607,615	-	-	-	9,607,615	3,355,928	480,381	-	3,836,309	5,771,307	-
Power Stations	5,102,140	-	-	-	5,102,140	694,458	170,071	-	864,529	4,237,611	-
Supply and Reticulation	380,763,842	4,291,920	-	-	385,055,761	114,834,292	18,926,178	-	133,760,470	251,295,292	4,500,000
<i>Gas:</i>											
Storage Tanks	80,451	-	-	-	80,451	19,304	-	-	19,304	61,147	-
<i>Pedestrian Malls:</i>											
Paving	384,497	-	-	-	384,497	9,533	19,229	-	28,762	355,735	-
<i>Roads:</i>											
Bridges, Subways and Culverts	74,095	-	-	-	74,095	10,085	2,470	-	12,555	61,540	-
Bus Stops	134,209	-	-	-	134,209	134,209	-	-	134,209	-	-
Bus Terminals	84,353	-	-	-	84,353	17,222	4,218	-	21,440	62,913	-
Car Parks	38,215	-	-	-	38,215	7,802	1,911	-	9,713	28,502	-
Roads: Gravel	10,775,098	1,536,506	-	-	12,311,604	8,716,288	106,459	-	8,822,747	3,488,857	2,243,077
Roads: Other	91,538,518	1,552,026	-	-	93,090,544	41,843,234	7,376,660	-	49,219,894	43,870,650	-
Roads: Tarred	378,282	4,187,524	-	-	4,565,807	378,282	108,897	-	487,179	4,078,628	5,732,440
Stormwater Drains	20,698,717	-	-	-	20,698,717	7,863,893	1,034,936	-	8,898,828	11,799,888	-
Street Lighting	4,542,005	505,939	-	-	5,047,944	848,736	181,682	-	1,030,418	4,017,526	504,520
Streetname Signs	603,833	-	-	-	603,833	603,833	-	-	603,833	-	-
Traffic Islands	1,267,000	-	-	-	1,267,000	517,358	126,700	-	644,058	622,942	-
Traffic Lights	632,020	-	-	-	632,020	299,173	31,601	-	330,774	301,246	-

APPENDIX B

GOVAN MBEKI MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R
<i>Security Measures:</i>											
Access Control	321,029	-	-	-	321,029	320,355	3,066	-	323,421	(2,392)	-
Fencing	1,456,214	-	-	-	1,456,214	1,456,214	52,557	-	1,508,771	(52,557)	-
Security Systems	346,086	-	-	-	346,086	268,527	63,781	-	332,308	13,778	-
<i>Sewerage:</i>											
Pumping Stations	890,110	664,000	-	-	1,554,110	890,110	19,367	-	909,477	644,633	-
Pumps	31,941,242	496,503	-	-	32,437,746	25,485,531	2,135,350	-	27,620,881	4,816,865	-
Purification Works	61,401,077	10,754,082	-	-	72,155,159	26,974,627	3,153,000	-	30,127,626	42,027,533	-
Sewers	62,435,134	21,153,385	1,797,710	-	85,386,229	17,621,748	3,245,516	-	20,867,264	64,518,965	19,021,890
Sludge Machines	72,128	-	-	-	72,128	19,635	4,809	-	24,443	47,685	-
<i>Water:</i>											
Boreholes	80,000	-	-	-	80,000	80,000	-	-	80,000	-	-
Bulk Supply	14,855,045	1,124,122	-	-	15,979,166	9,278,000	282,472	-	9,560,472	6,418,694	-
Mains	879,375	-	-	-	879,375	154,539	43,969	-	198,508	680,867	-
Pumping Stations	738,471	-	-	-	738,471	738,471	-	-	738,471	-	-
Purification Plant	12,553,333	-	-	-	12,553,333	11,471,994	54,067	-	11,526,061	1,027,272	-
Reservoirs and Tanks	71,143,398	-	-	-	71,143,398	43,455,036	3,402,670	-	46,857,706	24,285,692	-
Supply and Reticulation	84,580,048	11,637,560	2,924,163	-	99,141,771	28,374,069	4,278,551	-	32,652,620	66,489,151	17,111,083
Water Rights	27,443	-	-	-	27,443	5,603	1,372	-	6,975	20,468	-
	871,075,417	57,903,567	4,721,873	-	933,700,856	346,881,155	45,344,457	-	392,225,612	541,475,245	49,113,010
Community Assets											
<i>Recreational Facilities:</i>											
Basketball Courts	351,000	-	-	-	351,000	351,000	-	-	351,000	-	-
Bowling Greens	580,001	-	-	-	580,001	326,417	29,000	-	355,417	224,584	-
Caravan Parks	304,200	-	-	-	304,200	160,550	10,140	-	170,690	133,510	-
Civic Theatres	21,201,700	-	-	-	21,201,700	8,539,574	727,043	-	9,266,617	11,935,083	-
Floodlighting	-	-	-	-	-	-	56,764	-	56,764	(56,764)	-
Fountains	20,000	-	-	-	20,000	4,083	1,000	-	5,083	14,917	-
Game Reserves and Rest Camps	35,000	-	-	-	35,000	4,764	1,167	-	5,931	29,069	-
Golf Courses	700,001	-	-	-	700,001	422,917	35,000	-	457,917	242,084	-
Indoor Sports Facilities	672,365	-	-	-	672,365	230,183	22,412	-	252,595	419,770	-
Jukskei Pitches	364,000	-	-	-	364,000	219,917	18,200	-	238,117	125,883	-
Lakes and Dams	757,470	-	-	-	757,470	154,650	38,868	-	193,519	563,952	-
Museums and Art Galleries	192,800	-	-	-	192,800	176,795	893	-	177,688	15,112	-
Outdoor Sports Facilities	1,823,080	-	-	-	1,823,080	647,813	91,154	-	738,967	1,084,113	-
Parks	1,108,472	-	-	-	1,108,472	160,767	53,045	-	213,812	894,660	-
Recreation Centres	14,144,488	-	-	-	14,144,488	5,994,307	497,517	-	6,491,825	7,652,663	-
Soccer Fields	155,480	-	-	-	155,480	155,480	-	-	155,480	-	-
Stadiums	26,274,116	-	-	-	26,274,116	9,229,702	875,804	-	10,105,506	16,168,610	-
Swimming Pools	806,117	-	-	-	806,117	433,336	39,756	-	473,092	333,025	-
Tennis Courts	711,750	-	-	-	711,750	409,000	32,987	-	441,987	269,763	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R
<i>Other Facilities:</i>											
Abattoirs	76,487	-	-	-	76,487	10,411	56,846	-	67,257	9,230	-
Care Centres	697,757	-	-	-	697,757	281,042	23,259	-	304,300	393,457	-
Cemeteries	779,350	-	-	-	779,350	250,778	25,313	-	276,091	503,259	-
Clinics and Hospitals	4,028,954	-	-	-	4,028,954	1,180,690	133,860	-	1,314,550	2,714,404	-
Community Centres	36,425,162	-	-	-	36,425,162	14,027,117	1,098,173	-	15,125,289	21,299,872	-
Fire Stations	5,550,012	-	-	-	5,550,012	2,121,818	185,000	-	2,306,818	3,243,194	-
Libraries	14,976,254	-	-	-	14,976,254	5,620,923	499,208	-	6,120,132	8,856,122	-
Nurseries	378,275	8,000	-	-	386,275	105,049	11,530	-	116,579	269,696	-
Public Conveniences/Bathrooms	4,139,288	-	-	-	4,139,288	1,768,055	156,992	-	1,925,047	2,214,241	-
Transport Facilities	24,400	-	-	-	24,400	3,376	813	-	4,189	20,211	-
Vehicle Testing Centres	4,180,211	-	-	-	4,180,211	4,180,211	-	-	4,180,211	-	-
	141,458,189	8,000	-	-	141,466,189	57,170,723	4,721,745	-	61,892,468	79,573,721	-
Housing											
Housing Schemes	72,768,795	-	-	-	72,768,795	28,840,531	2,353,217	-	31,193,748	41,575,047	-
	72,768,795	-	-	-	72,768,795	28,840,531	2,353,217	-	31,193,748	41,575,047	-
Other Assets											
<i>Bins and Containers:</i>											
Bulk Containers	1,450,810	-	-	-	1,450,810	592,747	145,025	-	737,771	713,039	-
Household Refuse Bins	611,606	-	-	-	611,606	505,399	97,673	-	603,072	8,534	-
<i>Emergency Equipment:</i>											
Ambulance Equipment	224,180	-	-	-	224,180	185,277	38,903	-	224,179	1	-
Emergency Lights	8,600	-	-	-	8,600	7,682	918	-	8,600	-	-
Fire Equipment	452,078	10,650	-	-	462,728	137,468	30,433	-	167,901	294,828	-
<i>Furniture and Fittings:</i>											
Cabinets and Cupboards	2,924,583	65,344	-	10,628	2,979,298	1,757,249	395,915	6,200	2,146,963	832,335	-
Chairs	2,375,222	142,159	-	31,280	2,486,100	1,483,431	279,656	20,094	1,742,994	743,107	-
Other Furniture	10,305,265	113,163	-	14,663	10,403,766	5,181,104	1,343,361	8,437	6,516,028	3,887,738	3,486,885
Tables and Desks	3,131,441	107,930	-	36,936	3,202,435	1,902,046	411,122	23,629	2,289,539	912,896	-
<i>Motor Vehicles:</i>											
Fire Engines	420,000	-	-	-	420,000	85,750	21,000	-	106,750	313,250	-
Motor Cars	6,135,148	455,600	-	455,600	6,135,148	4,872,735	1,002,945	-	5,875,680	259,468	-
Motor Cycles	10,000	-	-	-	10,000	10,000	-	-	10,000	-	-
Trucks and Bakkies	21,842,615	2,057,810	-	-	23,900,425	12,826,595	4,377,726	-	17,204,321	6,696,104	757,105
<i>Office Equipment:</i>											
Air Conditioners	2,370,155	90,015	-	12,000	2,448,170	1,958,734	412,406	9,800	2,361,339	86,831	-
Computer Hardware	8,015,248	983,183	-	151,926	8,846,505	6,162,209	1,338,444	122,960	7,377,693	1,468,812	-
Computer Software	1,782,978	-	-	1,782,978	-	1,612,045	-	1,612,045	-	-	-
Office Machines	1,511,275	326,788	-	-	1,838,062	448,220	453,850	-	902,070	935,993	-

APPENDIX B

GOVAN MBEKI MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R
<i>Plant and Equipment:</i>											
Cable Cars	5,829	-	-	-	5,829	1,587	389	-	1,975	3,854	-
Compressors	200,052	-	-	-	200,052	163,095	36,770	-	199,865	187	-
Farm Equipment	16,122	-	-	-	16,122	13,198	7,767	-	20,966	(4,843)	-
Graders	2,980,043	49,867	-	-	3,029,910	1,448,517	261,967	-	1,710,485	1,319,425	-
Laboratory Equipment	95,751	3,000	-	-	98,751	78,196	18,005	-	96,200	2,551	-
Lawnmowers	1,493,504	257,965	-	-	1,751,470	1,367,077	143,973	-	1,511,050	240,420	-
Milling Equipment	5,500	-	-	-	5,500	1,497	367	-	1,864	3,636	-
Other Plant and Equipment	9,970,073	51,408	-	-	10,021,480	7,858,251	1,604,249	-	9,462,500	558,981	10,223,700
Radio Equipment	1,429,602	278,145	-	-	1,707,747	1,171,113	269,431	-	1,440,544	267,203	-
Telecommunication Equipment	9,844	-	-	-	9,844	8,040	1,804	-	9,844	0	-
Tractors	5,323,627	-	-	-	5,323,627	2,123,506	496,378	-	2,619,884	2,703,743	-
<i>Other Assets:</i>											
Laboratories	17,701	-	-	-	17,701	2,409	590	-	2,999	14,702	-
Tip Sites	318,762	139,950	-	-	458,712	43,387	10,625	-	54,013	404,699	-
	85,437,615	5,132,976	-	2,496,012	88,074,580	54,008,564	13,201,690	1,803,166	65,407,088	22,667,492	14,467,690
Total	1,475,320,543	63,221,876	4,721,873	2,508,973	1,540,755,319	656,537,203	71,982,559	1,804,930	726,714,832	814,040,487	71,580,700

GOVAN MBEKI MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Intangible Assets										
Servitudes	-	-	-	(12,961)	12,961	-	-	(1,764)	1,764	11,197
Computer Software	-	70,882	-	(1,782,978)	1,853,860	-	80,955	(1,612,045)	1,693,000	160,860
Valuation Roll	-	926,438	-	-	926,438	-	-	-	-	926,438
Spacial Development Plan	-	1,765,070	-	-	1,765,070	-	-	-	-	1,765,070
	-	2,762,389	-	(1,795,939)	4,558,329	-	80,955	(1,613,809)	1,694,764	2,863,565
Total Fixed Asset Register	1,475,320,543	65,984,266	4,721,873	713,034	1,545,313,648	656,537,203	72,063,514	191,121	728,409,596	816,904,052

APPENDIX C

GOVAN MBEKI MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment			
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R
Executive and Council	1,575,757	534,117	-	463,070	1,646,804	1,011,074	214,315	6,101	1,219,288
Finance and Administration	14,085,055	963,457	-	336,327	14,712,184	8,117,588	2,366,347	181,784	10,302,150
Planning and Development	236,079,621	710,011	-	120,930	236,668,702	136,038,868	8,724,164	30,713	144,732,320
Health	6,724,770	42,534	-	5,500	6,761,804	3,068,913	517,787	4,375	3,582,324
Community and Social Services	127,161,278	47,501	-	4,150	127,204,629	49,370,916	2,275,957	3,296	51,643,576
Housing	164,275,084	468	-	-	164,275,552	81,474,430	4,138,556	-	85,612,986
Public Safety	39,363,633	794,591	-	800	40,157,424	21,351,008	4,083,496	467	25,434,037
Sport and Recreation	11,431,233	346,036	-	-	11,777,270	6,652,864	3,447,979	-	10,100,843
Environmental Protection	-	-	-	-	-	-	-	-	-
Waste Management	159,387,067	33,436,213	1,797,710	-	194,620,991	72,418,910	8,925,646	-	81,344,556
Roads and Transport	131,067,528	7,330,597	-	-	138,398,125	61,257,600	9,003,034	-	70,260,635
Water	184,857,113	12,643,808	2,924,163	-	200,425,085	93,557,712	8,029,420	-	101,587,132
Electricity	395,716,215	6,372,543	-	-	402,088,758	119,054,769	19,969,290	-	139,024,059
Other	3,596,189	-	-	1,578,196	2,017,993	3,162,553	286,568	1,578,195	1,870,925
Total	1,475,320,543	63,221,876	4,721,873	2,508,973	1,540,755,319	656,537,203	71,982,559	1,804,930	726,714,832

Carrying Value
R
427,517
4,410,034
91,936,382
3,179,480
75,561,053
78,662,567
14,723,386
1,676,427
-
113,276,435
68,137,490
98,837,952
263,064,699
147,067
814,040,487

APPENDIX D
GOVAN MBEKI MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)	Description	2,007 Actual Income	2,007 Actual Expenditure	2,007 Surplus/ (Deficit)
R	R	R		R	R	R
185,702	15,779,081	(15,593,379)	Executive and Council	65,786,366	76,550,654	(10,764,288)
191,246,913	101,811,126	89,435,786	Finance and Administration	161,689,310	66,294,881	95,394,429
4,249,958	15,713,966	(11,464,007)	Planning and Development	5,193,671	23,211,074	(18,017,403)
1,787,738	10,658,089	(8,870,351)	Health	1,290,838	15,800,253	(14,509,415)
4,255,828	17,551,439	(13,295,610)	Community and Social Services	3,013,525	19,766,168	(16,752,642)
2,409,692	10,319,254	(7,909,563)	Housing	12,385,837	14,837,271	(2,451,433)
13,688,676	44,227,242	(30,538,566)	Public Safety	8,903,617	50,066,828	(41,163,211)
1,196,502	20,593,573	(19,397,072)	Sport and Recreation	1,371,398	26,492,055	(25,120,656)
-	-	-	Environmental Protection	-	-	-
89,112,019	60,798,531	28,313,489	Waste Management	65,763,835	87,879,964	(22,116,129)
17,158,017	35,419,963	(18,261,945)	Roads and Transport	28,793,425	42,660,651	(13,867,226)
95,397,771	84,753,102	10,644,669	Water	147,986,812	122,677,752	25,309,060
138,661,544	150,307,606	(11,646,062)	Electricity	146,644,146	169,823,490	(23,179,344)
-	-	-	Other	-	-	-
559,350,360	567,932,971	(8,582,611)	Sub-Total	648,822,781	716,061,040	(67,238,259)
-	-	-	Less: Inter-departmental Charges	-	-	-
559,350,360	567,932,971	(8,582,611)	Total	648,822,781	716,061,040	(67,238,259)

APPENDIX E(1)
GOVAN MBEKI MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

Description	2006/2007 Actual	2006/2007 Budget	2006/2007 Variance	2006/2007 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	110,119,339	109,959,700	159,639	0.14	
Service Charges	298,640,689	302,386,000	(3,745,311)	(1.25)	
Rental of Facilities and Equipment	3,877,750	3,279,500	598,250	15.43	Good performance by relevant departments
Interest Earned - External investments	5,681,466	5,897,600	(216,134)	(3.80)	
Interest Earned - Outstanding debtors	29,024,167	20,026,300	8,997,867	31.00	Increase due to increased outstanding amounts for debtors
Dividends Received	23,386	-	23,386	100.00	Small amount received
Fines	3,565,301	4,493,700	(928,399)	(26.04)	Under performance of the Traffic Department
Licences and Permits	4,676,741	7,974,700	(3,297,959)	(70.52)	Under performance of the Traffic Department
Government Grants and Subsidies	174,655,873	74,703,700	99,952,173	57.23	Capital grant receipts now have to be included in performance statement
Other Income	11,110,381	9,085,900	2,024,481	18.22	Due to the increase in service delivery in other areas of council
Public Contributions and Donations	90,360	-	90,360	100.00	All public contributions now have to be included in performance statement
Gains on Disposal of Property, Plant and Equipment	7,357,328	2,110,000	5,247,328	71.32	Sale of erven now credited to Inventory for Unsold Properties
Total Revenue	648,822,781	539,917,100	108,905,681	20.17	
EXPENDITURE					
Employee Related Costs	226,883,908	181,239,420	45,644,488	20.12	Due to provision made for Long-term Service & Post-retirement Benefits
Remuneration of Councillors	10,743,072	9,709,600	1,033,472	9.62	
Bad Debts	61,058,254	60,010,000	1,048,254	1.72	Additional contribution from Accumulated Surplus expensed from Revenue
Collection Costs	9,688,650	7,179,690	2,508,960	25.90	Special attempts to collect arrears had been done, increased payment rate
Depreciation	72,063,514	589,100	71,474,414	99.18	Budgeted for capital redemption - not aligned to GRAP-format
Repairs and Maintenance	22,418,262	30,686,430	(8,268,168)	(36.88)	Repair and Maintenance projects start late in the financial year
Interest Paid	13,444,391	22,325,650	(8,881,259)	(66.06)	Internal interest now has to be excluded from the performance statement
Bulk Purchases	135,059,636	131,582,700	3,476,936	2.57	
Contracted Services	16,456,419	14,835,900	1,620,519	9.85	Increase need in contracted services, due to lack of capacity
Grants and Subsidies Paid	82,428,764	27,036,200	55,392,564	67.20	All capital expenditure now to be excluded from performance statement
General Expenses	65,760,265	54,726,340	11,033,925	16.78	Increase in service delivery
Loss on disposal of Property, Plant and Equipment	55,907	-	55,907	100.00	Loss on Insurance claims
Total Expenditure	716,061,040	539,921,030	176,140,010	32.62	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(67,238,259)	(3,930)	(67,234,329)	(1,710,792.83)	

APPENDIX E(2)
GOVAN MBEKI MUNICIPALITY : ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

Description	2006/2007 Actual	2006/2007 Under Construction	2006/2007 Total Additions	2006/2007 Budget	2006/2007 Variance	2006/2007 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	534,117	-	534,117	86,700	447,417	516.05	Projects not budgeted for
Finance and Administration	963,457	-	963,457	1,637,000	(673,543)	(41.14)	Saving identified transfer to other departments for assistance
Planning and Development	710,011	-	710,011	5,194,200	(4,484,189)	(86.33)	Projects commenced late in financial year and was carried over to 2006/7
Health	42,534	-	42,534	-	42,534	(100.00)	Projects not budgeted for
Community and Social Services	47,501	-	47,501	100,000	(52,499)	(52.50)	Projects commenced late in financial year and was carried over to 2006/7
Housing	468	-	468	8,000,000	(7,999,532)	(99.99)	Projects commenced late in financial year and was carried over to 2006/7
Public Safety	794,591	-	794,591	757,105	37,486	4.95	Projects commenced late in financial year and was carried over to 2006/7
Sport and Recreation	346,036	-	346,036	350,000	(3,964)	(1.13)	
Environmental Protection	-	-	-	-	-	0.00	
Waste Management	33,436,213	1,797,710	35,233,923	24,979,408	10,254,515	41.05	Actual expenditure realised more than budgeted amount
Roads and Transport	7,330,597	-	7,330,597	8,975,517	(1,644,920)	(18.33)	Projects rolled over from previous financial year
Water	12,643,808	2,924,163	15,567,971	12,403,565	3,164,406	25.51	Projects commenced late in financial year and was carried over to 2006/7
Electricity	6,372,543	-	6,372,543	9,097,205	(2,724,662)	(29.95)	Projects rolled over from previous financial year
Other	3,596,189	-	3,596,189	-	3,596,189	(100.00)	Projects not budgeted for
Total	66,818,065	4,721,873	71,539,938	71,580,700	(40,762)	(0.06)	

APPENDIX F

GOVAN MBEKI MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
FMG	Nat Treasury	0	0	500,000	0	0	0	1,018,935	556,852	949,198	1,052,789	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	3,366,812	11,900,486	10,104,881	6,477,553	0	7,627,368	10,156,767	4,378,263	7,745,215	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Health - Clinics	Province	0	0	0	864,000	403,000	0	1,464,298	1,464,298	1,464,298	1,464,298	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	0	21,781,389	16,332,775	0	27,216,935	0	65,331,099	65,331,099	65,331,099	65,331,099	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DLGH	Province	0	5,516,000	0	664,000	0	0	0	664,000	5,516,000	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Local District Municipality	LDM	0	0	0	0	6,620,540	0	612,430	0	611,665	6,495,805	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Electrification Project	DME	0	0	0	2,500,000	0	0	0	124,122	24,702	1,131,553	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSP & MSIG	Province	0	367,000	0	367,000	0	0	9,530	45,138	0	339,625	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		0	31,031,201	28,733,261	14,499,881	40,718,029	0	76,063,661	78,342,276	78,275,226	83,560,383	0	0	0	0	0			

GOVAN MBEKI MUNICIPALITY					
EXEMPTIONS FROM MUNICIPAL FINANCE MANAGEMENT ACT					
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets</p>	Y	<p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below:</p> <p>GRAP 4,6,7,8,9,12,17,19. Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5, Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p>

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
GRAP 03 (cont)	Accounting policies, changes in accounting estimates and errors	Changes in accounting policies (GRAP 3.14, 19)	N	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards

GAMA P 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	N	The municipality has accounted for its immovable capital assets as Inventories where applicable.	None
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards

GAMA P 12 (cont)	Inventories	The entire standard as far as it relates to water stock that was not purchased by the municipality.	N	The municipality included its water stock on hand at year end in its inventories.	None
Std Nn	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards

		2007			
GAMA P 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	Y	<ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. 2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. 	<p>The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.
GAMA P 17 (cont)	Property, plant and equipment	Review of depreciation method applied to PPE recognised in the Annual Financial Statements (GAMAP 17.62, 77)	Y	<ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. 	<p>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
GAMA P 17 (cont)	Property, plant and equipment	Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	<ol style="list-style-type: none"> 1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. Ø Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IPSAS 21.

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
GAMA P 17 (cont)	Property, plant and equipment	Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. Ø Show that they are not performing according to their specifications or according to industry accepted norms. <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
IAS 14 AC 115	Segment reporting	Entire standard	Y	<ol style="list-style-type: none"> 1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. 2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa. 4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats. 	<p>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p>

IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	N	The municipality accounts for its leases on the straight line basis where applicable.	
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	N	The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19.
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	<ol style="list-style-type: none"> 1) Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46. 2) On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an 	<ol style="list-style-type: none"> 1) Unbundle the balance on the GGR and transfer it to a deferred income account. 2) Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grants creditor to a creditor called deferred income. Therefore the GGR (Reserve) will be replaced by a creditor called deferred income. 3) In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from

				<p>amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).</p> <p>3) On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account.</p> <p>4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.</p>	<p>government grants. The GGR will no longer exist and therefore no transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.</p>
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards

IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. Ø Show that they are not performing according to their specifications or according to industry accepted norms. <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ul style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
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Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	N	The municipality adhered to IAS 38 where applicable.	Std Nr
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	N	All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the requirements of IAS39.
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopt ed Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards

IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Y	<ol style="list-style-type: none"> 1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past. 2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality. 3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality. 4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown. 5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40. 6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value. 7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc. 	<p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value.</p> <ul style="list-style-type: none"> • The criteria developed by the municipality to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations; • The methods and significant assumptions applied in determining the fair value of investment property. • The extent to which the fair value of investment property is based on a valuation by an independent valuer. • The amounts included in the statement of financial performance for: <ol style="list-style-type: none"> (a) Rental revenue from investment property; (b) Direct operating expenses arising from investment property that generated rental revenue during the period; and (c) Direct operating expenses arising from investment property that did not generate rental revenue during the period; (d) Fair value increases in IP • The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal; • Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following <ol style="list-style-type: none"> (a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (b) Additions resulting from acquisitions through municipality combinations; (c) Disposals; (d) Net gains or losses from fair value adjustments; (e) Transfers to and from inventories and owner-occupied property; and (f) Other movements.
Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of	Adopt ed	Description of implementation plans that still need to be implemented to achieve full compliance with	Extent to which information in the AFS would need to be adjusted to achieve compliance with the

		2007	Y/N	exempted Standards	exempted Standards
IAS 40 (AC 135) (cont)	Investment property (continued)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17 (continued)			<p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation.</p> <p>If the municipality elects to reflect all of its investment properties at cost less accumulated depreciation, ensure disclosure in the AFS of the following information, in addition to any relevant information required by the disclosure requirements relating to IP at fair value as set out above :</p> <ul style="list-style-type: none"> • The depreciation methods used; • The useful lives or the depreciation rates used; • The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required): <p>(i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure;</p> <p>(ii) Additions resulting from acquisitions through municipality combinations;</p> <p>(iii) Disposals;</p> <p>(iv) Depreciation;</p> <p>(v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period;</p> <p>(vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality;</p> <p>(vii) Transfers to and from inventories and owner – occupied property; and</p> <p>(viii) Other movements; and</p> <ul style="list-style-type: none"> • The fair value of investment property. In the exceptional cases , when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose: <p>(i) A description of the investment property;</p> <p>(ii) An explanation of why fair value cannot be determined reliably; and</p> <p>(iii) If possible, the range of estimates within which fair value is highly likely to lie.</p>

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
IAS 40 (AC 135) (cont)	Investment property (continued)	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	Y	1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.	1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	N	The municipality have implemented the requirements of IFRS 5 where applicable.	The municipality have implemented the requirements of IFRS 5 where applicable.
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 7.